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THE IMPACT OF THE TRANSNATIONAL CORPORATIONS
IN THE BANKING AND OTHER FINANCIAL INSTITUTIONS
ON THE ECONOMY OF LIBERIA

The opinions expressed herein are those of the author and do not necessarily represent the views of the United Nations Economic Commission for Africa.

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CHAPTER I

Environmental Setting

I. Basic features of the economy

1. With an area of about 4 300 sq. miles and a population of around 1.9 million, Liberia is one of the smallest countries in West Africa.

2. A set of free-slaves from the USA migrated to this small area in 1822 and established themselves as the leaders among the tribes that existed. The country has been free ever since - it has never been conquered nor colonised. With heavy rain fall and thick forests, people depended on agriculture and continued to do so till the 1920's.

3. In late 1920's Firestone Rubber Company of USA found this area a good potential for natural rubber production and obtained a concession from the government for over a million acres, for Rubber plantations. This brought some extra employment and some extra income to the government. The influence of American business began to be felt and the American dollar was declared the currency in 1935; America also got a base during the second world war. In 1943, Mr. Tubman, one of the leaders belonging to the class of freed-slaves, became the president of the country and declared an "open door" policy for foreign investment in the country, with no foreign exchange or import-export controls. At the end of the second world war, Iron ore was also discovered and the mining interests of the world viz USA, Sweden, Germany etc. negotiated concessions for exploitation of iron-ore, diamond etc. Tubman remained President till 1970 and continued his open door policy and granted additional concessions for rubber, timber etc. A few small scale Liberian Rubber plantations also grew side by side. Most of the investments in these plantations and mining, specially in iron ore (4 companies) were made by the middle of 1960's - these investments were concentrated in a few concession areas; the bulk of the country and most of the people remained agricultural and forestry oriented. As noted by Samir Amin "The history of Liberia, the only State in Black Africa to have been untouched by direct European colonization, began to all intents and purposes after the second world war; since, until then the population of black African origin, installed at Monrovia in the 19th century, had formed a tiny colony isolated from the rest of the country, which was still all but totally unexploited".^{1/}

4. Most of these foreign investments were export-oriented - the companies from various countries came in search of raw material. Whatever growth took place was mostly in these two areas of mining and plantations. The growth that took place in other areas was mostly consequential. The country's elite controls impressive natural resources but - as the most trenchant analysis of Liberia's economic system. "Growth without Development", points out - it has not noticeably improved the standard of living of the great majority of Liberians or prepared them for significant roles in their expanding economy. ^{2/}

^{1/} P. XVI Neo-Colonialism in West Africa - SAMIR AMIN - Penguin Books. 1973.

^{2/} P. VI: "Foreward": Gwendolen M. Carter - "Liberia - The Evolution of Privilege" by J. Gus Liebenow - CORNELL University Press 1969.

5. With the fall in prices of iron ore, rubber and other primary commodities in the late 1960's and the oil crisis of 1973 and onwards there has not been much investment in Liberia since then, even though Mr. Tolbert, the successor to Mr. Tubman in 1970, continued the open door policy. In 1976, for the first time, a first 4 year plan was prepared for comprehensive development - it concentrated on infrastructure, education and agriculture. The implementation of the plan was tardy due to resource constraint.
6. There was a lot of discontentment in the country, specially in the local tribes, on account of the concentration of wealth with the ruling elite, the Whig party, and lack of development excepting in small pockets of the country where plantations and mining companies operated. A group of young military personnel led a coup and took over the government, after assassinating Mr. Tolbert, in April 1980. Though they have continued the "open door" policy there was a crisis of confidence and a flight of capital which has affected the economy considerably. The new Military Regime conceived of a second plan from 1980, but not much headway has been made in implementation of the plan due to resource constraint.
7. In spite of institutional arrangements to boost investment, like the Liberian Bank for Development and Investment, National Housing and Savings Bank and the Agricultural and Co-operative Development Bank and inspite of open-door policy, investment and development has not been satisfactory; bulk of the country remains predominantly agriculture-oriented. Literacy is only about 25 per cent; there is a lot of unemployment. Out of a total labour-force of around 780,000 non-agricultural sector was estimated to have provided employment to only 138 900. Monetary agriculture to about 52 000, non-monetised agriculture to 482 000 and the rest (about 107 000) unemployed in 1980. ^{3/} If at all, the position has worsened since then. Even rice, the basic food-stuff, is insufficient and requires to be imported.
8. The export-oriented investment is the only foreign-exchange earner and that is in a bad-shape due to low commodity prices. Small manufacturing facilities exist which do not meet either the requirement or contribute substantially to the economy of the country.
9. The "open-door" policy continues with no foreign exchange or import-export controls. The US dollar continues to be the currency of the country. About 90 per cent of the market value of goods and services are controlled by external forces and 5/7 of all business is foreign-owned.

2. Growth Trends

10. The Gross Domestic Product received a tremendous boost in the 1950's and, 1960's as is shown below, with the huge foreign investment on export-oriented industries. Since the 1970's the growth trend has been at a very low level mainly

^{3/} "A Review of Man-Power Planning and Employment Services in Liberia" - Mr. T. Chellaswami, Ministry of Planning and Economic Affairs.

Table 1
Gross Domestic Product of Liberia for Selected Years
(in millions of L. Dollars)

	Gross domestic product at current market prices	Gross national product at current market prices	Gross domestic product at 1971 constant market prices	Gross national product at 1971 - constant market prices
	(1)	(2)	(3)	(4)
1950	56.5 million	46.7	88.9 million	73.5*
1960	172.8	138.2 million	240.4	186.2 million
1970	408.4	342.8	409.8	300.9
1980	1 116.8	1 033.1	491.4	454.7*
1981	1 055.4	983.4	480.1	447.4*

* Derived

Source: 1. Economic Survey of Liberia, 1962, Northern Western University
2. IMF and IBRD Staff Estimates - various reports of the IBRD from 1966 and onwards.

due to the low price-level of the exports, on which the economy is highly dependent, and due to the oil-crisis. The actual fall in 1981 was due to a crisis of confidence in the economy due to the Military Coup of April 1980.

11. The Gross National Product did not, however, increase to the same extent as the Gross Domestic Product due to the huge factor payments that were made on the foreign investment, as is shown in Annexure 1-I.
12. It appears that the bulk of the investment was in the shape of loan capital at very high rates of interest and had to be repaid within a short-time. The payment of huge interests plus remittance of high profits drained the economy of the GDP substantially; even now the factor payments are fairly substantial.
13. Secondly, as mentioned earlier, the investments were in small pockets of the country and highly capital-intensive, with the result that the local liberian employment was low.
14. In the above circumstances, though the per capita income of the country increased substantially till 1970, making it one of the middle-income countries (as per the IBRD classification), the distribution of the GNP was highly distorted - it did not materially affect more than 70 per cent of the agriculturists living in the remote rural areas.
15. Annexures 1.II and 1.III give an idea of the sectoral distribution of the GDP at current and constant market prices. The compilation of the National Income Accounts is neither complete nor fully scientific - they, however, given an idea of the trends on account of the more or less constant methodology that has been followed over the years by the Ministry of Planning and Economic Affairs.
16. It can be seen that there is still a big non-monetized traditional economy and the role of export-oriented sectors like Rubber, forestry and iron ore is very high. Manufacturing contributes less than 7 per cent of the gross national product and the distributive services and government service constitute a very high percentage. All these point to a low-level of development of the economy.
17. In the above circumstances, gross national savings is also at a very low level as shown below:

Table 2
Gross National Savings in Selected Years
(in Millions of DL. Dollars)

	1964	1965	1970	1972
Gross National Savings	3.0	8.5	35.1	50.5
As % of GNP	1.5	4.0	11.2	14.2

Source: IBRD Report - March 5, 1975

Latest reports are not readily available

18. As noted by the above IBRD report, "Savings have fallen far short of their potential and part of this is the result of the inadequate banking system with its inability to channel funds to what few potential investments exist in Liberia. Another factor is governments conservative reluctance to borrow from the banking system to finance its investment programme - result, national savings that get into the banking system soon departs for more profitable returns in Europe and the US. ^{4/} The same position, more or less, appears to exist even now - local resources go abroad and local requirements are met by borrowing at current market prices from abroad.

3. The Liberian Financial System

19. Till the establishment of the National Bank of Liberia, as the Central Bank of the country, in 1974, the financial system mainly consisted of Commerical Banks, out of which only one had 51 per cent Liberian participation (the balance 49 per cent again being contributed by a transnational) and the rest were all branches or subsidiaries of transnationals banks, a Liberian Bank for Development and Investment (established by the government in 1965), a ~~few~~ co-operative credit societies/banks, a few credit unions and a few foreign insurance companies operating as branches or through agents. Whereas the commerical banks had assets worth nearly US\$101,300,000, the combined assets of all the others did not reach even US\$20 million in 1974.

20. One of the commerical banks, the Bank of Monrovia, had been made responsible for providing adequate currency for the country and also acting as banker to the Government.

21. US dollar was the declared currency in use and the Government issued only Liberian coins (in the same denominations as the US dollar) which were at par with the US coins. Since the dollar could be used for foreign as well as domestic payments (and local deposits with the foreign banks could be used for international transactions), Liberia's foreign exchange reserves were basically her currency. Overall balance of payments deficit was equivalent to reduction in money supply and/or reduction in banks foreign assets. Government has no means to offset changes in the balance of payments as such means were entirely in the hands of the foreign-owned commercial banks and ... the required expansion of money supply as a result of greater economic activity had to be financed entirely out of a surplus in the international payments, in case commercial banks were not willing to supplement monetary expansion through a decline in their net foreign asset position. ^{5/}

22. It was in the above background that the Government decided to establish the the National Bank of Liberia, which began operating from 1 July, 1974. Closely following this, the Government established a wholly government-owned Bank, the National Housing and Savings Bank (NHS)" in 1976, with a view to "mobilize savings

^{4/} IBRD Report - March 5, 1975

^{5/} Ibid

and provide long-term mortgage financing", and (2) the Agricultural co-operative and Development Bank (ACDB) again entirely owned by Government or government related institutions, to provide credit for agriculture, directly as well as through co-operatives, in 1976. A non-bank finance corporation was also started in October 1976, by a group of private Liberians, to provide consumer finance, small business loans, letters of credit, bonding and guarantees, tuition loans and health and vacation loans to Liberians.

23. In 1981, after the Military take over, the Government, realising that the rural areas had practically no credit facilities, established "The District Trust Corporation to provide loans to small and medium size Liberian businesses particularly in the rural areas." In the same year, however, the Bank of Liberia, which had 51% Liberian and 49% transnational shareholding, went into liquidation mainly due to the bad loans which it had advanced, were non-recoverable.

24. The present structure of the financial institutions in Liberia, consists of the following institutions.

Table 3

Financial Institutions, their ownership and total assets
at the end of December 1982

	Ownership	Total Assets End Dec. 1982 (millions of L.Dollars)
1. National Bank of Liberia The Central Bank	100 per cent Government	255.12
2. <u>Commercial Banks</u>		
(a) Wholly-owned Transnational Branches or Subsidiaries	Transnational banks	184.86
(b) National Housing and Savings Bank	100 per cent Government	60.42
(c) Agricultural Co-operative and Development Bank	97 % Government 2.7 % Government produce marketing corporation 20.3% Federation of co-operatives	6.19
Total Assets of Commercial Banks		251.47

	Ownership	Total Assets End Dec. 1982 (millions of L. Dollars)
3. Liberian Bank for development and Investment (LBDI)	Government 17.6% Int. Finance 17.69% Others 64.62%	31.00
4. Liberian Finance and Trust Co.	100 % Liberian	5.44
5. Co-operative Credit Societies/Banks	Liberian	Not available
6. Credit Unions	Liberian	Not available
7. District Trust Corporation	100 % Government	" "
8. Insurance Companies-branches/agencies of Transnationals	Transnationals	" "

Source: National Bank of Liberia: Quarterly Statistical Bulletin Fourth Quarter: 1983

2. Commercial Banks: (a) Transnationals: Derived from totals of Commercial Banks published in the above Quarterly Bulletin of the N.B.L.; (b) National Housing and Savings Bank: Annual Report 1982; (c) Agricultural Co-operative and Development Bank: Annual Report 1982.
3. LBDI: Annual Report 1982
4. Liberian Finance and Trust Company - Annual Report 1982.

The National Bank of Liberia - The Central Bank

25. The National Bank of Liberia started to function as the Central Bank of the country from July 1, 1974. Unlike most of the Central Banks of the world it has not been granted the power of note issue. The US dollar continues to be the currency of the country - the responsibility for providing the necessary US currency was, however, transferred to the NBL from the Bank of Monrovia from 1974. Similarly, from 5 August 1974, NBL was entrusted with the function as a Banker to the Government. In general, it was also entrusted with the regulation and orderly development of the financial institutions in the country, including the Commercial Banks.

26. The NBL took over the foreign exchange operations of the government, in addition to the local operations; began issuing licenses for all financial institutions to operate in the country; laid down reserve requirements to be maintained by the Commercial Banks; tried to regulate the rates of interest on deposits as well as lending by the banks and financial institutions and also advise the

government, in general, on development and regulation of financial institutions in the interests of the economy.

27. It soon realised that with no power of note issue and with no exchange control of any sort (the commercial banks being free to bring in or take out money without limit and enter into transactions having implications of currency freely) it was not in a position to control the commercial banks (dominated by the Transnationals) or other financial institutions. Simultaneously, the external financial position of the government began to deteriorate fast and the government, though it considered the NBL as its banker, began finding it difficult to provide even the necessary US currency for the transactions in the economy. The position became much worse after April 1980, when the Military took over the government and there was an unprecedented outflow of capital and finances. The assets of the commercial banks came down sharply creating shrinkage in currency available in the country. With the help and intervention of the IMF, the position eased gradually in 1981 and 1982.

28. Whereas it has been able to enforce depositing of reserves by the commercial banks, in other cases like regulation of lending rates, the NBL had to modify its stand partly because of the attitude of the transnational banks, who declared the margins insufficient and partly on account of the disparity between the international rates and local rates (which were considered suitable by the NBL). With no exchange controls, unless the rates were consistent with international rates or even better, individuals, companies and institutions found it profitable to operate through banks abroad than in Liberia.

29. In the above circumstance, the NBL has found itself with severe limitations in its functioning as a Central Bank of the country. It is finding itself difficult to act a bankers bank or as a lender of last resort to the banks and financial institutions being unable to find even adequate US currency notes. The transnational commercial banks appear to be in a much better position to find adequate currency and provide liquidity than the National Bank of Liberia.

Commercial Banks

30. Excluding the National Bank of Liberia, the Commercial Banks constitute the most important segment of the financial institutions in the country. In fact, they are even more important than the NBL as they are capable of serving the entire economy better than the NBL, in the light of the above comments. The total assets of the Commercial Banks were US\$287.40 million against US\$146.90 million of the NBL as at the end of December 1979. It was only after the military take over in April 1980 and resources moved out of Liberia that the assets of the Commercial Banks came down. Since then the enormous increase in the foreign liabilities of the NBL have kept its assets higher, mainly to finance the Government.

31. It is apparent that the Transnationals dominate the scene; in fact, if advances of US\$ 26 million borrowed for financing the government-owned petroleum refinery oil facility is excluded from the NHSE, the greater importance of the Transnationals becomes even more apparent. Detailed comments on the role of the Transnational commercial banks are reserved for Chapter 2.

Liberian Bank for Development and Investment

32. This is the only development bank operating in the country. It was established by the government in 1965 with an initial subscribed capital of \$1 million. The capital was divided into 2 types of shares - (i) class A shares, constituting 51%, to be subscribed by (a) the government of Liberia, (b) the international finance corporation (a subsidiary of the world bank) and (c) the Liberian public; and (ii) class "B" shares, constituting 49%, to be subscribed by Transnational Banks and Transnational Corporations mostly operating in Liberia. Initially the above pattern was followed. When the subscribed capital was increased to L\$5 million in 1976 though the composition of class A and of class B continued, with majority shareholding under class A, other institutions were admitted both under class A and class B. The shareholdings of the various institution, at the beginning (in 1965) and at the end of December 1982, are shown in Annexure 3-1 below.

33. In addition to capital, the institution has borrowed funds mostly from abroad and has been provided with some funds by the government of Liberia.

34. The development of the Bank, however, cannot be considered impressive as, at the end of 17 years of operation, its assets had reached a modest figure of L\$31 million only.

35. Since Transnationals have played a part in the operations of this Bank, detailed comments are given in chapter III.

Liberian Finance and Trust Company

36. This venture, which began as a purely Liberian enterprise, began having serious trouble after the military take over in 1980, when the chief Executive and senior officers were assassinated. It has been struggling to keep alive - it has been incurring losses in its operations; losses stood at \$419 002.80 as at the end of December 1983.

37. It appears that it has approached the NBL for assistance and for declaration as a commercial bank. It was, however, mentioned by the NBL, during discussions, that NBL was not happy about the state of affairs and had not made up its mind as to what to do with the institution. In any case, it is now a sick unit, having little influence on the economy; its assets are also very minor - just about L\$5.44 million.

Co-operative Credit Societies/Banks and Credit Unions

38. These are small local institutions. Hardly any information is available on them. It was also classified by the National Bank of Liberia that these are very small institutions with very limited resources and the NBL neither collects nor has any information about them.

District Trust Corporation

39. As stated above, this institution was started by the government in 1981. However, it appears it has hardly started even now. It was mentioned by the National Bank of Liberia that this corporation is yet to make a beginning and for all practical purposes it has no significance.

Insurance Companies

40. This is another area in which the Transnationals predominate. The Director of Insurance has just started functioning and there is practically no published information. Whatever information has been gathered is given in chapter IV.

41. From the above survey it can be seen that the Transnational Commercial Banks and Insurance Companies dominate the financial scene and are having ownership interests in the LB DI. These institutions are, therefore, dealt with in greater detail in the subsequent chapters.

ANNEX 1-I

Factor payments made from Liberia - 1950-1981
(Liberian Dollars - US dollars)

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1950	9.8	1960	34.6	1970	65.6	1980	83.7
1951	11.1	1961	N.A.	1971	55.4	1981	72.0
1952	13.2	1962	N.A.	1972	63.6		
1953	14.2	1963	N.A.	1973	N.A.		
1954	10.6	1964	49.1	1974	120.0		
1955	17.1	1965	51.8	1975	122.9		
1956	19.0	1966	51.3	1976	86.0		
1957	16.3	1967	51.6	1977	68.9		
1958	16.6	1968	49.7	1978	95.9		
1959	28.9	1969	51.4	1979	87.7		

Sources: 1950-1960 - p.49 "Growth without Development" Clover, Dalton, Harowitz and Walters, N.W. University Press; 1964-1974 - IBRD Report - March 1, 1975, Vol. II - Statistics; 1977-1981 - National Bank of Liberia - Annual Reports.

ANNEX 1-II

Industrial origin of GDP and GNP at current prices
(L\$ million)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
Agriculture										
Rubber	24.1	37.1	47.9	29.6	39.5	40.2	46.7	56.0	61.5	45.0
Other cost crops										
Subsistence sector	58.9	78.0	110.6	117.3	130.2	155.0	170.0	187.1	200.2	214.0
Total agriculture										
Mining and quarrying										
Iron ore	117.6	110.9	147.5	224.7	176.3	145.5	117.6	110.0	133.0	115.9
Diamonds										
Others										
Total mining and quarrying										
Construction, transport and trade										
Construction	142.1	129.8	159.0	231.8	182.6	153.8	130.2	126.8	153.0	131.4
Other										
Total										
Government										
GDP at market prices	26.7	31.2	36.0	43.8	51.5	70.6	82.0	95.0	123.6	155.8
Less indirect taxes less subsidies	466.5	492.6	617.8	726.9	761.8	872.9	943.7	1067.6	1116.8	1055.4
GDP at factor cost	35.4	39.4	47.5	50.5	63.0	84.7	103.7	114.2	115.8	126.4
Less net investment income paid abroad	431.1	453.2	570.3	676.4	698.8	788.2	840.0	953.4	1001.0	929.0
GNP at factor cost	63.6	-	120.0	122.9	86.0	63.9	95.9	87.7	83.7	72.0
Add indirect taxes less subsidies	367.5	-	450.3	553.5	612.8	719.3	744.1	865.7	917.3	857.0
GNP at market prices	35.4	39.4	47.5	50.5	63.0	84.7	103.7	114.2	115.8	126.4
	402.9		497.8	604.0	675.8	804.0	847.3	979.9	1033.1	983.4

- a/ The current economic position and prospect of Liberia IBRD, 26 May 1969 and 1 June 1971.
 b/ Liberia: Growth with development: a Basic Economic Report vol. II Statistics, IBRD, 1 March 1975.
 c/ Liberia: Current Economic Situation and Prospects, IBRD, 28 December 1979.
 d/ Liberia: Recent Economic Developments and Medium, term prospects, IBRD 30 December 1982.

ANNEX 1-III

Liberia: Gross domestic product by sectoral origin at 1971 prices
(in \$ million)

	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
1. Agriculture	40.0	49.2	47.6	50.1	55.3	54.9	59.9	62.8	63.0	69.4
Rubber	24.1	25.7	26.0	24.3	24.9	23.1	21.9	20.2	21.0	21.3
Forestry	6.4	9.8	7.5	12.5	16.4	16.4	21.2	23.3	23.0	12.3
Other	9.5	13.7	14.1	13.3	14.0	15.4	16.8	19.3	19.0	15.8
2. Mining	130.8	130.5	134.0	116.2	108.4	94.3	93.3	99.1	111.0	104.3
Iron ore	117.6	118.2	125.0	110.3	103.9	89.7	88.3	94.2	106.0	98.6
Other	13.2	12.3	9.0	5.9	4.5	4.6	5.0	4.9	5.0	5.7
3. Manufacturing	18.2	20.9	26.0	23.1	28.0	29.2	30.7	33.0	26.0	N.A.
4. Construction	15.0	12.8	15.7	14.1	17.7	19.2	22.0	20.0	15.0	N.A.
5. Whole/retail/trade/hotel and restaurant	48.5	28.2	28.8	27.6	27.6	29.5	30.2	31.0	25.0	N.A.
6. Electricity and water	6.4	6.7	6.9	6.6	7.3	7.7	7.9	8.4	8.3	7.9
7. Transport, storage and comm.	36.5	32.5	31.5	35.5	40.1	41.0	43.0	44.0	35.0	N.A.
8. Financial inst. & business sc.	25.0	24.8	25.6	26.7	26.2	27.2	28.0	30.0	30.0	N.A.
9. Community, social sc	12.3	16.3	17.3	18.7	19.3	20.0	20.0	21.0	17.0	
10. Gas services	24.2	24.5	27.0	29.2	31.0	35.1	36.9	39.6	39.6	39.6
11. Imputed bank charges	-3.4	-3.0	-3.8	-4.3	-3.7	-3.9	-3.7	-4.5	-3.7	N.A.
12. Monetary GDP (factor cost)	354.0	343.4	356.6	343.5	357.2	354.2	368.2	384.4	366.2	348.0
13. Traditional economy	60.1	60.8	68.8	68.8	73.5	77.2	77.2	78.0	80.0	82.4
14. Total GDP (factor cost)	414.1	404.2	425.4	411.5	430.7	431.4	445.4	462.4	446.2	430.4
15. Indirect taxes (net)	33.6	33.4	33.0	31.0	35.3	42.2	50.3	50.0	45.2	49.7
16. Total GDP	447.7	437.6	458.4	442.5	466.0	473.6	496.2	512.4	491.4	480.1
17. Total GDP deflator	104.2	112.6	134.8	164.3	163.5	184.3	190.2	208.4	227.8	226.7

Source: Same as those given in annex 1-II.

CHAPTER II

Commercial Banks1. Historical Development

42. The British Bank of West Africa was operating as the only commercial bank in Liberia till the mid 1930's. On July 7, 1935, the Liberian legislative declared the Liberian dollar as equivalent to a US dollar and passed legislation for issue of Liberian dollars. Even though such a decision was taken, no Liberian dollar was issued; it has not been issued even now in 1984. Only coins are being issued in the same denominations as the US dollar.

Bank of Monrovia (1938)

43. When the declaration was made linking the currency to the US dollar, the British Bank of West Africa decided to close down its branch in Liberia. Firestone Rubber Company, which had commenced to exploit the concession granted to it by the Liberian Government in 1926, found itself lacking in banking facilities. Its subsidiary merchandising firm, the United States Trading Company, therefore, began providing banking services for Firestone operations and gradually expanded its banking functions to meet the needs of the public. In 1938, Firestone consolidated the banking functions in a separate subsidiary called the Bank of Monrovia, which started functioning as a regular Commercial Bank. It also became the official depository of the Liberian government and till 1953 remained the country's sole commercial bank.

44. "The bank became a source of friction between the Firestone Company and the Liberians, who were dissatisfied with its credit policies, interest rates and the range of services provided. After world war II, Firestone sought to remove itself from the banking business and in 1955 sold the Bank of Monrovia to the First National City Bank of New York". 6/ Since then, the Bank of Monrovia is owned by the First National City Bank of New York.

45. Even after it was sold, the Bank of Monrovia not only continued as the banker of the government of Liberia but was the Bank solely responsible for providing the Bank notes (US dollar notes) necessary for the country right up till 1974 when the National Bank of Liberia was established by the government of Liberia as the Central Bank of the country and the functions of providing adequate currency to the country and of being a government banker were passed on to the newly created institution. For being a government banker and for the responsibility of providing the currency, the Bank of Monrovia was being paid a commission by the government of Liberia right up till 1974.

6/ P. 154, "Growth without development" - Clower, Dalton, Harwitz and Walters North-Western University Press 1966.

46. In 1978, the Bank of Monrovia decided to give up retail banking and indulge only in corporate lending, as retail banking was not considered profitable enough according to its parent. Its name was changed as "Citibank" from 1976 and it continues as such till now.

TRADVECO (1953)

47. When friction began developing between Liberians and the Bank of Monrovia, the government of Liberia decided to charter some more banks. In 1953 the government chartered the "Liberian Trading and Development Bank" (TRADVECO), as a subsidiary of the Mediobanca of Milan, Italy, and of the Bankers trust company of New York". It was allowed to function not only as an institution providing all types of banking activities, but also act as agents for "Lafondiarra Insurance Company of Florence" and for airlines like KLM, TWA etc." 7/ TRADVECO has, continued as a versatile institution, with commercial banking as one of its functions. Trade finance is its main commercial banking business activity and at the end of 1981 had just 5 branches, mostly in Monrovia.

Bank of Liberia (1954).

48. Closely following the above charter, in 1954 the "Liberian Savings and Loan Corporation" was organized by a group of Liberians, with the express purpose of being a "Liberian Bank for Liberians." In 1955, the above institution reorganized itself as the Bank of Liberia and received a credit of \$ 2 million from the Swiss Liberian Finance Corporation. It grew steadily since that time and even provided mobile banking facilities in outlying areas with a view to develop the idea of systematic savings by Liberians. Subsequently, it took the Chemical Bank of New York as a partner - Liberians owning 52 per cent of the shareholding and the Chemical Bank, 48 per cent. Full retail commercial banking services began to be provided and by 1980 had 7 branches, some outside Monrovia.

49. The operations of the Bank of Liberia began to deteriorate in the second-half of the 1970's. Despite financial support from the National Bank of Liberia, the condition of the bank steadily deteriorated, mainly due to the inability to recover its loans. The unsound practices and deteriorating conditions of the bank began to have a deteriorating effect on the economy of the country. The National Bank of Liberia, therefore, took over the operations of the Bank of Liberia, on March 17, 1981. "A Committee, which went into the affairs of the Bank, recommended, and the Government agreed, to liquidate the Bank of Liberia and at the same time guaranteed that all the depositors be repaid." 8/ The Bank of Liberia, therefore, ceased to function from 1981.

7/ P. 87, Liberian Trade and industry Handbook, 1970-71 - Edited by Henry B. Cole and Arthur B. Cassell.

8/ Annual Report and Accounts - 1981 National Bank of Liberia.

International Trust Company of Liberia (ITC) - 1960

50. The International Trust Company (ITC) of Liberia was incorporated by a legislative charter granted in 1960. The Trust Company invited Liberian public also to participate in the share-capital. But later on it became a subsidiary of the International Bank of Washington, a holding company.

51. In addition to the regular banking services, the ITC provides stock registration, transfer custody and trust services and is an agent for US and European Insurance Companies. However, its unique service is provided in its dual capacity as Maritime Administrator for the Republic of Liberia and as the statutory agent for the foreign businesses incorporated in Liberia. For covering its insurance activities it has created a separate subsidiary, the INTRUSCO Corporation.

Commercial Bank of Liberia (1960)

52. Closely following the ITC, the Commercial Bank of Liberia was started by the Intra-bank of Beirut, Lebanon in 1960. It would appear that this bank closed its offices in Liberia in 1975-76.

Chase Manhattan Bank (1961)

53. In 1961 the Chase Manhattan Bank of New York was allowed to open a branch. It began providing all types of banking services and continues to do so, through specializing in Trade and Corporate Lending.

National Housing and Savings Bank (N.H.S.) - 1976

54. Lack of proper housing in urban areas was recognized as a problem in the early 1970's. In 1972 the Liberian government, therefore, chartered a separate "National Housing and Savings Bank" to mobilize domestic savings and provide long-term mortgage financing. It, however, began operations only from January 20, 1976 with an initial paid up capital of US\$ 5 million fully subscribed by the government of Liberia.

55. Soon it realized that if domestic savings are to be mobilized it would be necessary to start commercial banking services also. Therefore, it obtained a license from the National Bank of Liberia to operate as a Commercial Bank and opened a branch office in a residential area in Monrovia in November 1976 to provide banking services. Since then it has been classified as a commercial bank and working as such.

56. It incurred losses in its operations during the years 1976 and 1977. In 1978 the bank was made the intermediary by the Government of Liberia to finance import of crude oil to the refinery; therefore "it negotiated a revolving credit with 18 banks in Europe, Asia and the Americas and financed the imports". 9/ It turned the corner and made a small profit as at the end of the year 1978. Since then it has continued the financing of the crude oil operations by means of a foreign revolving credit and continuing to make profits.

57. With the on set of the Revolution in 1980, the Bank was considerably adversely affected and this position has continued so far. It appears that the liquidity of the Bank has suffered considerably as the government is not able to find the cash required by the Bank. To get over the situation, it was stated by the manager that the Bank has entered into a partnership with the BIAO has undertaken to provide some cash in return for a shareholding of 10 per cent of the paid-up-capital (with an option to increase the share-holding up to 25 per cent of the paid-up capital). Without transnational affiliation it finds it difficult to operate. A National Housing and Savings Bank, that was started with the express intention of providing Housing finance, has thus been forced to turn itself into a commercial bank with transnational affiliation.

Agricultural Credit and Co-operative Development Bank (ACCD) 1976

58. An Agricultural Credit Corporation (ACC) had been set up by the Liberian government in 1957 with a capital of one million L.dollars to "provide small farmers and co-operatives with institutional credit." The credit was to be provided with government funds and funds provided by the US government through the P.L. 48 programme. It appears that the institution suffered from problems like "inadequate management and staffing, very poor collection procedures and a penchant for lending to politicians and the elite." 10/ Arrears piled up rapidly and in 1963 the corporation ceased operations.

59. Since the closure of the ACC the provision of credit to agriculture was limited to the Commercial Banks. In 1967-68 the Liberian Bank for Industrial Development and Investment (LBID) also began lending to agriculture for long-term purposes. The lending by the institutions to agriculture was, however, very limited and it was mostly extended to commercial farming like Rubber and Cocoa.

60. At the time of the formulation of the First Development Plan (1976-1980) it was realised that agricultural credit was unsatisfactory and if agricultural production was to get a boost, a separate credit institution would be necessary. The government, therefore, decided to set up a wholly owned bank - "Agricultural Credit and Co-operative Development Bank" - (ACCD) under a Separate Act, with a subscribed capital of L\$ 2.1 million. The Bank began operating in 1976 and also opened a branch at Gbarnga in 1976.

9/ Annual Report and Statement of Accounts - 1978. N. HSB

10/ IBRD Report, May 5, 1975.

61. In mid-1977, the LBIDI set up a subsidiary - the "Lofa Rural and Commerical Bank" - located in the Lofa country to administer "a revolving agricultural fund for the IDA assisted agricultural projects and also to provide commerical banking facilities."

62. In August 1979, the government decided to transfer the above subsidiary of LBIDI to the ACCDB and avoid duplication.

63. From November 1979 the ACCDB was also allowed to operate as a Commercial Bank. It is, therefore, being treated as a Commercial Bank from November 1979.

Bank of Credit and Commerce International (BCCI) Overseas Ltd. (1979)

64. In 1978 the government gave permission - to BCCI Overseas Ltd., an affiliate of the BCCI Holdings (Luxemburg) SA to open a branch in Monrovia - the banking operation of this affiliate started from 1979.

65. As of now, therefore, there are 7 Commercial Banks, as shown in Annexure 1.I. Excepting the ACCDB, all others are Transnationals or Transnational affiliates. The CITIBANK, the Chase Manhattan Bank and the BCCI are the only 3 banks providing only Commercial Banking Services; the others provide specialised and other services besides commerical banking facilities - the commercial banking operations, however, are quite restricted compared to the operations of the above 3 transnationals.

2. Operations of the Commercial Banks - Sources and Uses of Funds

General

66. "Prior to the establishment of the National Bank, the Commercial Banks were not subject to any government controls other than regarding capital and reserves requirements which are specified in their organizations charters approved by the acts of the Liberian legislature." 11/

67. As mentioned earlier, there are no foreign exchanges regulations in the country. Banks, institutions and individuals are free to keep money in Liberia or outside. Wherever they want, depending on their own judgements. This position has existed throughout the history of Liberia and continues to be so even now.

68. The various commercial banks, therefore, operate freely. Their main objective is maximization of profits by optimum utilization of resources. As the five transnationals have unlimited access to their parent companies, as also abroad, they draw funds from outside whenever it is so considered necessary or desirable to meet their corporate objectives.

11/ Survey of African Economies, Vol. 6 - IMF.

69. Even after the National Bank of Liberia, the Central Bank of the country, was established in 1974, the above position has continued excepting for a short interregnum of about a month in April 1980, when the Revolutionary Military Council, which took over power, imposed regulations on surrender of export proceeds, exchange receipts etc., but withdrew the regulations within a month with the fear that any such regulation may disturb the economy.

70. No central institution administered the charters of the banks till the National Bank of Liberia came into existence in 1974. After its establishment the NBL instituted some licensing, reserve requirements, rates of interest to be followed both for receiving deposits as well as for lending, rates to be charged on transfers of moneys outside etc. and also laid down that some returns should be submitted periodically in prescribed forms - no other controls exist. Returns in the prescribed form are therefore being submitted to the NBL from 1974. Prior to that, the Ministry of Planning and Economic Affairs, which started functioning from early 1960's used to gather some information from the central banks and used to publish them in their Yearly Economic Surveys. Whatever statistics has been added in the chapter and whatever comments are made, should, therefore, be viewed from the above limitation. All the Economic Surveys are not available; similarly Annual Reports of the NBL for 1982 and 1983 are not yet printed and published - the analysis, therefore, suffers from some of these deficiencies; the shortcomings, however, are not likely to alter the broad findings given below.

Sources and Uses of Funds

Sources of funds

71. The sources of funds of the Commercial Banks operating in Liberia can be broadly classified under the following heads:-

1. Capital and Reserves
2. Foreign Sources - Foreign Liabilities versus Foreign Assets
3. Domestic Sources
 - (a) Deposits
 - (b) Inter-bank/financial sources
 - (c) Other Liabilities

Capital and Reserves

72. Capital and Reserve requirements to be maintained by commercial banks operating in Liberia have not been laid down under any statute; the charter specify requirements, if any, details of such requirements of each charter are not available.

73. Annexure 2.II gives the capital and reserves of the Transnationals banks and of the national banks from 1967 till end December 1983. Till 1974, all the Commercial Banks were Transnationals or Transnational affiliates and maintained whatever capital and reserves they desired to retain for their operations. After the National Bank of Liberia began licensing them, the Transnationals appear to have regulated their capital at roughly US\$ 500 000 each and altered the reserves as per their requirements. Reserves arise out of profits on operations - whatever is considered necessary is retained and the rest of the amounts are remitted to their parent companies. No fresh capital has flown into the country in the recent past, excepting in the case of the BCCI to the extent of about US\$ 500 000. On the other hand there has been a continuous remittance of profits and even of reserves. It can be observed from Annexure 2.II that over US\$ 5 million of the reserves appear to have been remitted during 1979-1980 alone.

74. Whatever capital increase has occurred in the Commercial Banking industry right from 1974 and onwards has, therefore, been primarily met out of local resources, mostly from the government. The Transnationals are not bringing any fresh capital - on the contrary they are remitting profits/reserves out of Liberia almost regularly.

75. The ratios of capital and reserve to (i) total assets (ii) deposits and (iii) Loans and advances have also varied from time to time and in between Transnationals and Nationals. In any case, it appears to have been less than 10 per cent of total assets in most of the years.

Foreign Sources - Foreign Liabilities vs foreign assets

76. Excess of foreign liabilities over foreign assets indicate net inflow of resources from abroad.

77. Annexure 2.III gives the details of foreign assets vs foreign liabilities from 1967 to 1976, till which time all the commercial banks in Liberia were either transnationals or transnational affiliates. Excepting during the years 1973 and 1976, when the assets exceeded liabilities, in all the other years the liabilities were generally more than assets by small amounts ranging between \$3.76 million and \$7.87 million.

78. It appears that sometimes non-resident used to keep deposits in Liberia, whenever they were favourable to them; the banks generally remitted these deposits outside Liberia and held them either with their head offices or outside, wherever they were profitable. As is apparent from the table, such deposits were relatively minor.

79. Small excesses may have been due to financing of external trade as bulk of the resources, as would be shown subsequently, were being used by banks for short-term purposes and mostly for trade and commerce.

80. In 1976 the National Bank of Liberia laid down maximum deposit rates that could be paid and maximum lending rates that could be changed by commercial banks. With the adverse effect of this measure on profitability, the commercial banks transferred resources from Liberia outside and invested them; the most foreign assets, therefore, showed a steep increase. They reverted to the position existing prior to 1976 only after the maximum lending rates were abolished by the NBL and a higher lending rate up to which banks could go was prescribed. The Transnationals, therefore, were concerned more with their own profitability than with the requirements of the economy. In fact it was this attitude of Transnationals that led to the creation of the NHSB and the ACCDB.

81. The NHSB was the first local bank to operate as a commercial bank from late 1976; the ACCDB joined the ranks of a commercial bank only from November 1979. Annexure 2.IV gives the foreign assets and liabilities of the Transnationals and of the above two local banks from 1977 till end December 1983.

82. It can be seen, therefrom, that the bulk of the external borrowings from 1978 and onwards have been by the National Banks viz NHSB and the ACCDB. ACCDB has not gone into commercial bank operations, other than lending for agricultural operations, on a large scale; in fact their total operations are about US\$ 6 million even now; they have not undertaken practically any foreign operations - the bulk of the operation has, therefore, been by the NHSB which has been entrusted with the job of financing the crude oil import facility for the refinery, for which it has entered into a revolving credit arrangement with 18 commercial banks in Europe. The bulk of the liabilities fall under this category.

83. The transnationals, on the other hand, have tried to keep the funds outside and have brought in funds only during the years 1979, 1981 and 1982 mostly through their head offices and mostly to finance the government or government corporations.

84. The Transnationals have, therefore, brought in resources from outside or taken out the resources from Liberia depending on pure profit considerations rather than with reference to the requirements of the economy. The very fact that in the years 1980 and 1982, when the country was in acute shortage of resources, the Transnational Banks had taken resources out of Liberia and had not balances abroad, bears testimony to this position as is apparent from Annexure 2.III.

Domestic Sources

General

85. The most important sources of finance for the operations of any bank, specially for a commercial bank, is the domestic saving. Encouraging increased savings, their mobilisation and using of the resources so mobilized in the best interests of the economy is the main intermediation that is expected from the banks.

86. Deposits - current/demand, savings and time deposits - are the most important media through which mobilisation takes places.

87. Whereas certain banks may be able to mobilise resources they may not be able or capable of using such resources usefully. Inter-bank transfers could serve this gap. Such inter-bank transfers have assumed significant proportion in the operations of commercial bank in the post second-world war period and specially after the 1960's, all over the world.

Deposits

88. As noted earlier, till 1976, when the NHSB also come to the picture, all the commercial banks in Liberia were either Transnational branches or transnational affiliates. The deposit mobilisation by these banks during the years 1967-1975 is shown below in Table 4.

89. It can be seen that the rate of deposit mobilization was quite low and had increased by approximately only 3 per cent over nearly a decade.

Table 4. Mobilisation of Deposits by Transnational banks in Liberia between 1967-1975
(in millions of dollars)

	GNP (1)	Deposits of the private sector			Deposits of public sector (5)	Total Domestic Deposits (6)	As % of GND (7)
		Demand Deposits (2)	Time and Savings deposits (3)	Total (4)			
End Dec. 1967	272.80	13.57	12.57	26.14	N.A.	9.57	26.14
" 1968	287.30	12.57	14.98	27.55	N.A.	9.57	27.55
" 1969	327.30	18.86	12.62	31.48	N.A.	9.61	31.48
" 1970	342.80	21.16	20.93	42.09	"	12.28	42.09
" 1971	374.50	20.48	24.50	44.98	"	12.01	44.98
" 1972	402.9	21.46	23.25	44.71	6.21	12.64	50.92
" 1973	420.0	28.73	23.60	52.33	7.01	14.13	59.34
" 1974	497.8	37.22	25.18	62.40	6.54	13.85	68.94
" 1975	604.8	29.54	27.55	57.91	8.66	11.01	66.57

Source: 1967-1975 - "Economic Survey" - Ministry of Planning and Economic Affairs, various issues.

90. It was in the above context and in the meagre provision of credit for Housing and agriculture that the Liberian government decided to establish in 1976 the National Housing and Savings Bank and the Agricultural Co-operative Development Bank to render credit facilities in the Housing and Agricultural Sectors. As stated earlier these two banks have enlarged their functions and become commercial banks - NHSB from 1976 and ACDB from November 1979 onwards.

91. The mobilization of deposits by the Transnationals and the two national banks from 1976 till end December 1983 is shown in Annexure 2.V. It is obvious that there has not been much progress in the mobilization of resources even after the establishment of the National Banks. In fact, after the revolution, not only the GNP but the mobilization came down and there appears to be a slow recovery only after 1981.

92. It can also be seen that the share of the Transnationals is over 75 per cent of the total deposits.

93. The demand deposits constitute the bulk (nearly 50 per cent), savings next (about 30 per cent) and time deposits only around 20 per cent. In each of these components also, the share of the transnationals is considerably higher than that of the Nationals.

94. The ACCDB does not appear to accept any time deposits - the share of the nationals is, therefore, entirely that of the NHSB.

95. To encourage time deposits, the NHSB has introduced "three certificate accounts - time deposits (open end), certificates of deposits and investment certificates, which could range from 30 days to 25 years. All these carry slightly higher rates of interest than savings." ^{12/} The steep erosion of this type of deposit in 1980-81 appears to have been due to the lack of confidence in the government and the economy. Since there is free movement of currency into and outside the country, the competition rates abroad, specially in the Eurodollar market, also acts in favour of or against time deposits from time to time.

96. Another factor that appears to have acted against greater growth of deposits has been on the limit on interest rates laid down by the National Bank of Liberia, from time to time. Whenever they are inferior to the international rates, people would appear to transfer funds outside. In the case of the Transnationals, their operations are directed on the international rates prevalent rather than trying to increase mobilization locally.

97. In fact, in the case of even savings deposits, the transnationals want a much higher minimum for example Citibank - \$10 000, and CHASE - \$500 against \$25 accepted by the NHSB. The transnationals are not bothered about mobilization as they cater to the big clientele who are mostly foreign companies or foreign affiliates, and in case of need, as far as it is profitable, they can draw upon their head-offices or other banks abroad at international rates of interest. It is only the national banks that are trying to mobilize local savings - but their resources, human and financial, are limited compared to the transnationals; in

^{12/} Annual Report and Statement of Accounts, NHSB - 1982.

addition, being owned by the government, are subject to beaurocratic controls and interference. Within the limitations of National Banks, with no foreign exchange controls, with greater confidence in the Transnationals, and most of the business dominated by foreigners, the people and firms have greater confidence in Transnationals.

98. Annexure 2.VI gives the sources of the 3 types of deposits. Institutional deposits, it can be seen, constitute more than a third of the deposits. Though the distribution of these sources between TNCs and Nationals is not available, the bulk of the company deposits is with the Transnationals.

Conclusions

99. The bulk of the deposits accumulate with the Transnationals, most of it in demand or savings deposits. Transnationals, however, have not tried to increase savings or increase mobilization as their profitability is not affected by local mobilization. Another factor contributing to lack of development of deposits with banks appears to be the interest rate policy of the National Bank. There is no incentive for the Transnationals to take steps for greater mobilization as they can always draw upon their head offices or banks abroad to meet their requirements.

Inter-bank/financial sources

100. Inter-bank/financial institutional borrowing for operations is another source by which commercial banks raise resources. From the aggregate statement of liabilities and assets of commercial banks in Liberia for the later 5 years ending December 1983, shown in Annexure 2.VII, it is clear that the nationals have hardly used this as a source of funds; on the other hand the Transnationals have raised resources from banks and other financial institutions like insurance companies, LBIDI, Trust Companies etc. From the assets side of the statements it would appear that national banks have often lent resources to the Transnationals for operations.

101. In any case inter-bank finance appears to be an extremely minor source of finance in Liberia. But whatever finance is so raised is raised by transnationals and not by the nationals.

Other liabilities

102. These are generally of a contra-nature with other assets, this is another major source of financial operations that contributes to the earning capacity of banks. Here again it can be seen from Annexure 2-VII that the Transnationals account for the major share. Till 1982 they appear to have had nearly 90 per cent of the business, it is only in 1983 that the nationals seem to have gained some ground (the reason for that being not clear); even then the share of the Transnationals appears to be over 70 per cent.

Uses of FundsGeneral

103. Till 1976, when the NHSB was established by the government and it began operating as a commercial bank, all the banks were transnational branches/subsidiaries or affiliates. Till November 1979, only the NHSB was the national commercial bank - from that month the ACCDB also began operating as a commercial bank. There are, therefore, 3 distinct periods - (i) Till 1975; (ii) 1976-1979; and (iii) 1980 and onwards.

104. Till the establishment of the National Bank of Liberia in 1974, the Ministry of Planning and Economic Affairs used to get returns from the Banks and compile them for publication in the Economic Survey. Full details, more or less on the lines published by the NBL from 1974, are available from the Economic Survey for the years 1972 and 1973 only. NBL began adding the figures of the ACCDB from 1980 only. The assets of the commercial banks for the above two periods (i) and (ii) are shown in Annexures 2.VIII and for the period (iii) in Annexure 2.IX.

105. Prior to 1974 the Bank of Monrovia acted as the banker to the government, in addition to discharging the function of the supplier of currency; the other commercial banks were, therefore, not subject to any control and there was no requirement for any bank to keep any reserve with the Bank of Monrovia. All the bankers, including the Bank of Monrovia, acted on their own judgements and used funds, both local and foreign, for maximizing profits. Their main concern was provision of credit for Trade and commerce and they provided funds for such purposes. The Bank of Monrovia, in addition, provided funds to the government of Liberia, whenever they desired.

106. In 1962, when Liberia applied for membership, the IMF found that the government had borrowed over US\$10 million for its operations from the Bank of Monrovia. IMF laid down, as a condition of its membership, that the government should liquidate the loan within a period of 5 years. It appears that the credit to the government by transnationals began coming down since then - but even then it continued, though not to a substantial extent till 1975 as can be seen from Annexure 2.VIII. It was only after the NBL began insisting on depositing of prescribed reserves with it by the commercial banks that the allocation of funds to the government by the Transnationals really came down.

107. The uses of funds can be broadly classified under 5 main headings:

1. Cash and balances with banks (including the National Bank of Liberia
2. Credits - loans, advances and overdrafts
3. Investments
4. Others assets and
5. Fixed assets

1. Cash and balances with banks (including the National Bank of Liberia)

108. Till the NBL began enforcing reserve requirements from Commercial Banks in 1975, the Commercial Banks, which were all TNCs, kept very little balances within Liberia - they kept fairly large balances abroad.

109. After the NBL gradually increased the reserve requirements, and specially from 1961, the balances with the NBL increased and balances kept with banks abroad began coming down.

110. It would also appear that simultaneous to the depositing of resources with the NBL, the credit that was being given to the government by the Transnationals also came down.

2. Credit - loans, advances and overdrafts

(i) Aggregate credit

111. Item No. 11 in Annexures 2.VIII and 2.IX give the total domestic credit that was extended by Transnationals and the two national banks from time to time. It is apparent that the Transnationals dominate the same even now. From 1978, the government entrusted the financing of the crude oil imports to the NHSB; if that is eliminated from the NHSB, the dominance of the TNB becomes even more clear.

112. The share of credit to the public corporations increased steeply from 1978 onwards mainly on account of the crude oil imports mentioned above.

113. Another important point to observe is the important role of long-term credit to the government by the Transnationals in the years up to 1977 and the gradual reduction and total elimination from the year 1982.

114. Right up to 1982, more than 80 per cent of the credit, extended by commercial banks to companies and individuals, was from the Transnationals; even in 1983 it was more than 70 per cent - the dominant role of the TNCs, in extension of domestic credit, even now is quite apparent from the above details.

(ii) Sectoral spread of credit

115. Annexure 2.X gives the sectoral spread of credit from 1967-1975 when only Transnational Commercial Banks existed. It can be seen that the major portion of the credit was extended to Commerce. Next in importance was agriculture - but the bulk of it was for rubber, as is apparent even now as at the end of 1983 (as is shown below separately).

116. Next in importance was the credit extended to individuals. Here again, it appears that the bulk of the credit went to prominent Liberian citizens, who could offer adequate security and also mattered in public affairs, and to foreign residents. Small enterprises, small farmers and other people with small means had to rely on the indigenous sources.

117. The rest of the sectors, all put together, got about 10 per cent of the credit only.

118. In the case of mining, where the Transnational Corporations dominated, it appears the corporations used to get credit abroad for most of their operations and depended on local credit only for minor day to day operations. As observed by the World Bank - "Little or no credit was provided to the concessions which obtain their financing either from their parent companies or from direct borrowings from banks abroad."

119. The national banks were created apparently to rectify this defect and divert more funds for Agriculture, housing and other productive purposes. Annextures 2.XI and 2.XII give the distribution of credit by the National Banks and the Transnationals to the various sectors of the economy. It is quite clear that even now, almost the same position exists - even the national banks extend the bulk of the credit for commercial purposes. In fact, if the credit given by the NHSB to the petroleum corporation is eliminated, the rest of the credit extended either by the NHSB or by the ACDB is very small - and even this small amount is mostly given for commercial and services sectors rather than for vital productive sectors like agriculture or manufacture.

Maturity pattern

120. No statistics on the maturity pattern of the loans and advances extended by the Transnational Banks is available. But as noticed by the IBRD in 1975 "most of the lending is short-term, though some banks provide overdraft facilities and maturities upto a maximum of two to three years."

Distribution by type of borrower

121. "... most of the credit continued to be extended to non-Liberian. Thus expatriate traders are borrowing from expatriate banks with little domestic participation." 13/

122. From January 1, 1979, the NBL instituted a "credit guarantee" scheme to increase the volume of credit available to Liberian enterprises. The amount of guarantee that was extended amounted only to L\$ 0.26 million at the end of 1979, L\$ 0.90 at the end of 1980 and \$1.09 at the end of 1981. Even here the Bank of Liberia (before liquidation), CITIBANK, Chase Manhattan and BCCI availed of the facility next only to the LBDI.

Investments

123. From items 12 and 13 of Annextures 2.VIII and 2.IX it can be seen that investments by Commercial Banks in general, either in government securities or in private sector securities, has been negligible - total investment in any year, before the National Banks were established or afterwards, has not exceed L\$ 3 million.

13/ IBRD Report June 1, 1971

124. The National Banks have not invested in any long-term securities in any of the years - whatever investment has been undertaken is by the Transnationals only.

125. From 1977 there is no investment in any government security even by the TNCs - whatever little investment exists in securities is with the private sector.

126. On the whole, it can be seen that the most important mobilizers of savings in the country, hardly, if at all, invest any money in long-term securities. The exact reasons for this situation are not recorded anywhere - apart from the preference of commercial banks for short-term credits, lack of instruments and lack of a secondary market appear to be other additional reasons leading to this situation.

Other assets

127. From a perusal of the 'other assets' it can be seen that the Transnationals dominated the market right up till the end of 1982; it is only in 1983 that the ACDB and the NHSB have managed to get about 40 per cent of the assets.

128. 'Acceptances' constituted a major item of assets till end 1978 - almost the entire amount used to be handled by the TNCs'. Even in 1979 a fairly substantial portion belonged to this category and was held by the TNCs'; in 1980 it came down and from 1981 onwards it has almost disappeared.

129. Similarly, the bulk of the clearing items were held by TNCs' right through.

130. In the case of the 'others' again, TNCs dominated till end 1982; in 1983 only the Nationals seem to have made some progress.

Fixed assets

131. Fixed assets constitute a very small portion of the total assets. Still, an interesting point can be observed - the fixed assets of the nationals, as a percentage of the total assets, is much higher than that of the TNCs - may be this is an account of the newness of the assets of nationals compared to the highly depreciated assets of the Transnationals who have been operating for a vary long time.

3. Margins and profitability - uses of profits

132. Till the National Bank of Liberia came into existence in 1974 there was no control of any sort on the operations of the Banks. Credit was provided at the international market rate (as the movement of currency was free); taking this rate into consideration, after keeping a margin of 4-6 per cent, the deposit rates used to be fixed.

133. The Bank of Monrovia, which was the banker to the government, also charged the government, the New York prime Rate plus $1\frac{1}{4}$ per cent on its short-term lending.

134. There was, however, a usury law under which the maximum lending rate was to be 10 per cent. Though the Banks apparently tried to follow this limit, often they violated the limit "by employing various gimmicks in order to raise lending rates". ^{14/} In addition they tried to restrict the credit to favoured borrowers, for personal loans and with high security.

135. In addition to interest rates, they used to charge various types of other charges to get more income and increase profitability.

136. The large spread and other high service charges not only led to high profitability but also towards high cost of intermediation. This high cost was attributed to high cost of operation by the banks. In fact, it appears that in the yearly 1970s the Bank of Monrovia estimated the cost of operation of savings accounts at US\$ 5 per account and so did not entertain small accounts - the minimum for a savings bank account was between US\$ 40-50 and for time deposit between US\$ 5 000 and 15 000/-. Obviously the banks catered mostly to the upper income levels and to firms.

137. "This inefficiency of Liberia's commercial banks in conjunction with their profit motivation and the unit banking mentality, forces small savers to bear the cost. ... Saving is, therefore, in shape of cash which is a high cost to the economy since hoarding of cash has to be met through the balance of payments surplus. For the sophisticated, larger depositors, interest rates below Euro-dollar are unattractive. Moreover, since commercial banks facilitate the transfer of large savings to branches of their parent companies in Europe or in the US, experience of commercial banks indicate that a substantial amount of savings flows abroad. Since bankers earn a commission on such transfers they do not discourage such outflows by offering higher interest rates. ... This obvious disinclination of commercial banks to attract savings and time deposits from both households and enterprises indicates that these intermediaries are not overtly concerned with economic development." (IBRD Report - 1975). ^{15/}

138. To narrow the gap between local and international interest rates (interest rates having been pegged under the usury Act at 10 per cent), the NBL, in November 1974, 4 months after it started working, fixed the minimum exchange commission that may be charged by commercial banks for outward remittances (at $\frac{1}{4}$ per cent) and inward remittances (charging of exchange commission lifted). NBL itself offered to provide facilities of outward remittance to the commercial banks at $\frac{1}{4}$ per cent in case of amounts below \$1 million and at $\frac{1}{8}$ per cent above that amount.

139. In 1976 it also laid down that effective November 25, 1976 time deposit rate should be $5\frac{3}{4}$ per cent, savings 5 per cent, maximum rate on discounts would be 8 per cent and lending rates on loans should be 10 per cent. These rates did not encourage the banks to mobilize savings. In December 1978, therefore, the NBL

^{14/} IBRD Report, March 5, 1975

^{15/} IBRD Report, ibid.

issued regulations increasing minimum savings bank rate to 8 per cent and of time deposits to 8 3/4 per cent (where maturity exceeded 30 days) and removed the maximum lending rates. This was done to encourage savings and also to increase in New York and Euro-dollar rates and to improve the efficiency of the banking system by catering to the marginal borrowers, who would otherwise apply to the unorganized market. This was also aimed at "encouraging banks to bring funds from abroad." Effective June 1, 1981, the Commercial Banks were also advised that the maximum charge that they could levy for trade related foreign transfers could be 1 per cent and for non-trade transfers 1.5 per cent of the amount involved. Simultaneously it increased its charges to commercial banks for foreign transfers from 3/8 per cent to 3/4 per cent of the amount transferred.

140. Since the above changes, the deposit and lending rates are being altered by the Commercial banks from time to time. Annexure 2.XIII shows the rates that were prevalent in 1980, 1981, 1982 and 1983. Annexure 2.XIV and 2.XV give the item-wise income and expenses of the Transnationals banks and of the National Banks from 1975 till 1982.

Income

141. It can be seen that apart from interest income, service charges and fees and foreign exchange transactions constituted a big portion of the income, mostly of the Transnationals. Whereas the National Bank laid down some restrictions on interest and foreign exchange transactions, service charges and fees were left to the banks and the transnationals banks appear to have availed of the opportunity to charge high service charges and fees, apparently to maximise the income.

Expenses

142. Apart from interest and salaries and allowances, 'other operating expenses.' constituted a major portion of the expenses, specially in the case of Transnationals. The exact break-down of these "other operating expenses" are not available; but it is quite likely that Transnationals would have charged head office expenses, technical fees for providing managerial advice to the banks in Liberia etc. in their expenses and remitted such amounts, to their head offices, in addition to the dividends, as is very common with Transnationals.

143. Annexure 2.XVI gives a summary of the profitability operations of the commercial banks in Liberia from 1975-1983. It can be seen that whereas TNCs have made consistent high profits on their capital and reserves right through, the ACCDB has always run at a loss and the NHSB, which began making some profits from 1978, when the Liberian government entrusted the financing of the crude oil imports of the petroleum refinery, has gone on with lesser and lesser profits. The break-up figures of 1983 are not available - it would, however, appear that the major profit still pertain to the Transnationals.

144. Another interesting point to be observed is the break-up between capital and reserve. As can be seen from Annexure 2.II, the capital element of the Transnationals is roughly US\$ 2.5 million only right from 1977 till end 1983; it was US\$ 1.75 in 1975 and US\$ 2.25 million only in 1976. The Reserves had been retained out of profits over the years and used for operations as the profitability of their investment in Liberia was higher than what they could get by transferring the profits to their headquarters. If profits after taxes are compared with the paid-up capital only, it can be seen that in almost all the years the profit is over 100 per cent on the paid-up capital.

145. Whenever reserves were not considered safe or sufficiently profitable they were transferred outside. For example in 1980 it can be seen that the total of capital and reserves came down by over US\$ 6 million.

146. The above information on profitability is compiled by the NBL on the basis of the returns submitted by the Transnationals - not on the audited accounts. It was explained by the Secretary of the Bankers' Association that none of the 5 transnationals prepared or were required to submit audited accounts to the NBL - they submit details to their head offices who incorporated them in their global transactions.

147. Incidentally, it can be noted that neither of the two national banks are paying any taxes to the government - on the other hand, the ACCDB has been given a subsidy of \$750 000 till end 1982. The entire taxation income on banks has been gathered by the government from the Transnationals. On the other hand, government has invested huge sums, far larger than all the Transnationals, as capital on the national banks viz: NHSB and the ACCDB on which it is getting practically no return.

148. The exact uses to which the profits of the commercial banks have been diverted are not available. It would, however, appear from the accounts that the bulk of the profits are transferred by the Transnationals to their head offices, in the shape of profits and/or dividends after providing some general reserves. Profits would not appear to be used for extending banking facilities to the rural areas - there appear to be only 24 branches of commercial banks throughout the country, including Monrovia, as is apparent from Annexure 2-I.

149. From the interest margins at which the commercial banks operate, from the concentration on foreign-related clients and corporate lending (as in the case of CITIBANK), it is clear that the Transnationals serviced only big businessmen and concentrated on maximum profits. It was stated by the CITIBANK, during discussion that its major business is with 60 big corporate clients and not with men of small means. Even the minimum prescribed for acceptance of savings deposits and time deposits point to the preference of Transnationals for higher clients and the well-to-do rather than to the small businessmen.

4. Transnational Banks and the Balance of Payments

General

150. No comprehensive estimates of Liberia's balance of payment were available till the establishment of the NBL in 1974. Till then "indications of the latter's trends are to be derived mainly from developments in foreign trade and from changes in the net foreign assets of the banking system." ^{16/} The IBRD, however, had prepared rough estimates from 1964 and published them in its various reports from time to time.

151. After its establishment, the NBL began to compile the balance of payments statistics. It, however, found that these estimates are "particularly difficult to make in view of the open nature of the economy, the use of the US dollar as the predominant medium of exchange and the incomplete data on some services and capital transactions. Available information, therefore needs to be interpressed with great caution." ^{17/} This position continues even now, in fact, the IMF have deputed an expert to help the NBL to organize compilation of the data on a sound basis.

152. Annexure 2.XVII gives the balance of payments statistics prepared/adopted by the IBRD from time to time.

Currency

153. "A deficit in the overall balance of payments automatically brings about on equivalent reduction in internal liquidity while an overall surplus has the reverse effect" ^{18/} Government had "no means to offset changes in balance of payments as such means were entirely in the hands of the foreign-owned commercial banks" ^{19/} till the establishment of NBL. The required expansion of money supply to finance greater economic activity had to be financed entirely out of a surplus in the international payments, in case the commercial banks were not willing to supplement monetary expansion through a decline in their foreign asset position.

154. From 1974, the responsibility for providing adequate bank notes rests with the NBL. To get adequate notes from the US Treasury the NBL has to find adequate foreign assets "maintained with its correspondents in New York" ^{20/}; to the extent that the NBL finds it difficult to augment its foreign assets, it finds it difficult to provide adequate currency. In fact, after the Military take over in

^{16/} P. 16, First Annual Report of the NBL, 1974

^{17/} P. 5, Annual Report of the NBL, 1978

^{18/} Report of the IBRD June 16, 1966

^{19/} Report of the IBRD May 5, 1975

^{20/} First Annual Report of the NBL, 1974.

April 1980, and the enormous outflow of resources from Liberia, the NBL is finding it difficult to meet the requirements of currency. There was a liquidity crisis in 1980 and 1981; the NBL issued L\$5 coins partially to offset the requirement but the ability to issue such coins was also restricted with the result that even though the position eased a little in 1981 and 1982 partially due to the coins and partially due to external funds raised by the government, the liquidity crisis has not yet passed. It was partially to solve this problem NBSB, it was stated, had agreed to take BIAO as a partner.

155. Though the currency provision rests with the NBL, there is free movement of currency into and out of Liberia; commercial banks are also parties in such transfers. If the commercial banks do not co-operate with the NBL and indulge in free transfers of currency out of Liberia, they can add to the problem of balance of payments and to the problem of Liquidity. In fact, it appears as though the transnationals are creating problems as the problem of liquidity remains at the moment.

Direct inflows and outflows

156. Inflows could be in the shape of

- (a) Long-term capital investment and
- (b) Short-term capital

Outflows could be in the shape of:

- (a) profits and dividends on investments
- (b) management and technical fees, remittances of employees etc., and
- (c) capital - both long-term and short-term.

Inflows

- (a) Long-term capital investment

157. There is no information on the capital brought in by the Transnationals banks and financial institutions for direct investment in Liberia; in any case, as is apparent from Annexure 2.II, the amount of investment by the Transnational is very small. They do not bring amounts regularly - increases are generally made by capitalizing the reserves.

- (b) Short-term capital

158. Appendices 2.III and IV show the foreign assets foreign liabilities and the net position of the commercial banks. Excepting in a few years the liabilities appear to have been more than assets, through marginally. To the extent of the excess, the operations of the Transnational commercial banks has eased the balance of payments position of Liberia over the years.

Outflows(a) Profits and dividends on investments

159. From the section on "Margins and profitability - uses of profits", it is quite clear that the Transnational Banks have been making huge profits on their operations in Liberia and are remitting substantial amounts of profits almost every year. Annexure 2.XVIII gives an idea of the outflow on account of Transnational banks over the last few years; profits that had been remitted during early years are not available.

160. The remittance of profits of Transnational banks are included under sub-item (b) of item (4) of Appendix 2.XVII.

(b) Management and technical fees, remittances of employees etc.

161. In the IMF standard compilation of balance of payments statistics, these transactions come under "other goods and services." It can be seen that Appendix 2.XVII is not in the standard form. It is, therefore, difficult to state where these outflows occur in the case of Liberia, excepting in the case of remittances of employees which can be broadly covered under "worker's remittances." The figures of such remittances by expatriate employees of Transnational Banks is not available separately. Since there is no restriction of employment of expatriates by Transnationals, there must be some remittance though on a very small scale, as the total banking operation itself is very limited.

162. Whether there has been any remittance on account of management and technical fee, head offices expenses etc. there is no authentic information that is available. As stated in paragraph 100, however, it appears that the expenditure under "other expenses", in the income and expenditure accounts of TNS's is very high - it is very likely that amounts have been remitted and shown as expenditure by TNB's. In the absence of exchange control and in the absence of information in the NBL on details of other expenses, it is difficult to state how much amounts, if at all, were so remitted out of Liberia over the years.

(c) Capital - long-term and short-termLong-term

163. From a perusal of Annexure 2.II it appears that there has been repatriation of capital and reserves once in 1975, about L\$ 3 million, when the National Bank began laying certain regulations, and again in 1980, about L\$ 5.2 million, after the Military take over in April 1980. The two figures combined would amount to more than 3 times the paid-up capital shown by them in their returns to the NBL right from 1975-76 onwards. Though the amount by itself is not much, one can observe the drain of foreign exchange and the contributory effect on the strenuous balance of payments position in a difficult year like 1980.

Short-term

164. As noted in the sub-section on foreign sources of funds and in Annextures 2.III and 2.IV the Transnationals took out resources whenever they lost confidence in the economy as in 1980-81 or when the interest rates were not favourable. As noted by the IBRD, the Transnationals tried to keep a large portion of deposits abroad whenever they can. Apart from keeping funds abroad, they also encouraged the banks to earn income on transfers - the transnationals were not overtly concerned either with economic development or with creating balance of payments difficulties.

Conclusion

165. In short, it can be seen that in direct operations, the Transnationals, on the whole, added to the balance payments problems by transferring profits, surpluses, and may be managerial and technical fees and sometimes even capital. Currency and short-term capital were also transferred out either when the Central Bank or the Government tried to impose some restrictions or whenever such transfers were more profitable. - to the Transnational Banks, their own profits and security were more important than economic development of the country in which they were operating.

Indirect

Private flows relations to foreign investment in Liberia

166. Another area in which the Transnational banks appear to have played an important part in the inflow and outflow of resources is in foreign investments. It appears that such investment has been brought in partly by the banks operating in Liberia and partly by Transnational banks outside Liberia, through the foreign concessionaires who began exploiting the resources in Liberia mainly in the areas of rubber, timber, iron-ore and diamonds.

167. Annextures 2.XIX gives the total direct foreign investment, as at the end of 1979, as estimated by the Liberian Ministry of Finance. It appears that a number of service industries, to cater to the main industries had also come in with some foreign investment.

168. Firestone Rubber Company was the first to come into the picture and even the present CITIBANK (earlier called the Bank of Monrovia) had its origin through Firestone. Firestone was the only major rubber company operating in Liberia till 1963. when B.F. Goodrich also joined. Since then one or two other rubber concessions have come - but the major investment in rubber is by these two transnational corporations.

169. How much capital was originally brought in by each of these rubber concessionaires as equity and how much as loan, how much of the investment as at the end of 1979 had been built out of such investment brought in and how much was on account of retained profits is not known. Due to extremely good prices for rubber in the 1950's it is stated that "Firestone made many times over their investments in Liberia."

170. Similarly details of financing of investments or outflows in the areas of Forestry, Diamond mining and other service industries are not separately available.

171. In the case of iron-ore, however, the position is slightly different. Annexure 2.XX gives an idea of the financing of the 4 major iron-ore concessions that have worked or are working in Liberia. In each of them it appears that the equity capital that was brought in by the companies was very small and the loan capital brought in was many times more than equity, the loan capital having almost invariably been supplied by Transnationals Banks either operating in Liberia or outside. The terms and conditions under which such loan capital had been brought are also not available - but such loan capital had certainly led to outflow of interest and other elements and also led to lower profits of the companies, hence lower share for the government (as such interest and other payments were treated as expenses for purposes of calculating the profits).

172. If the above experience is an indication of the trend, perhaps the same pattern of investment would have taken place in the fields of rubber, forestry and mining - a lot of loan capital may have been supplied by the banks at profitable terms.

173. Annexure 2.XXI gives an extract of the remittances made by the private sector (including banks and financial institutions) on account of profits, dividends and interest during the various years. Though figures of interest are not available for all the years it can be seen that interest constituted a substantial portion during the years 1964-1972.

174. Item 8 of Annexure 2.XVII also gives an idea of the capital inflow in the private sector over the years; here again, how much of it was on account of direct remittances from abroad and how much on account of retained profits is not clear. Similarly, from direct remittances from abroad, how much was in the shape of equity and how much in the shape of interest is not clear.

175. It can also be seen from the same annexure that there has been a net outflow of capital in the private sector during the years 1979, 1980 and 1981. Here again, whether it was loan capital that was repatriated or equity is not clear.

Public related inflows and outflows

176. "In 1971, to avoid financial breakdown, Liberia, it appears, had raised a loan of L 100 000 from London Bankers; but the rate of interest was so high that by the time the bankers had deducted their interest charges in advance, there was less than L 50 000 left. For a while the country was put into international receivership." ^{21/}

177. "In 1927, to pay off Liberia's existing debts, the government concluded a loan agreement with a Firestone subsidiary, the finance corporation of America. Only half the loan, for up to \$ 5 million, over 40 years at 7 per cent interest was ever issued. but service charges and adviser's salaries cost \$ 270 000 a year, which was 20 per cent of the government revenue in 1928 and 50 per cent in 1931. This loan, intended to relieve the government of its previous indebtedness, become a greater burden than the original debt. In 1943 the seal was set on American domination when the US dollar

^{21/} P. 258, Africa Undermined - G. Lanning and M. Mueller - Penguin Books - 1979.

became the Liberian currency." 22/ Soon after the iron-ore and other concessions were signed and investments flowed into Liberia which gave an increase to the revenues of the government. It was only in 1951 that the government was able to repay Firestone.

178. Whereas the concessionaires brought investment, infrastructure was to be provided by the government. Government, therefore, had to resort to borrowing and investments during the fifties and early sixties. This was also aggravated by financial mismanagement. In the 1950's they resorted to what were called "prefinanced loans - these were loans advanced by private contractors carrying extremely high rates of interest and financing charges, plus hidden interest charges of at least another 15 to 30 per cent." 23/ To meet its budget deficits it also began borrowing short-term money from the bank of Monrovia, which was its banker.

179. By 1961 the external debt amounted to nearly \$ 86.2 million and the government found it difficult to meet its obligations. In 1962 the government joined the IMF and appealed for its assistance to re-schedule the debt and repay the dues. The IMF forced the government to declare a moratorium on the debt of \$ 10 million, owed to the Bank of Monrovia, for 4 years, before agreeing to granting assistance.

180. Annexure 2.XXII gives the external public debt of Liberia right from 1949 to-date. The annexure is based on information collected from various sources and on estimates by the agencies like the World Bank - the information is not authentic even after 1974, when the NBL was established, as it appears, the External Public debt is managed by the Ministry of Finance, government of Liberia, as was clarified during the personal visit. After 1974-75 NBL is acting only as a banker - all details are with the Ministry of Finance. During discussions with the Ministry of Finance, it was clarified that even the Ministry of Finance had not kept all the information, including statistics, in a systematic manner and, at the insistence of the IMF, a systematic compilation of the actual outstanding external debt was under way (March 1984) with the assistance of the IMF.

181. Annexure 2.XXII on the balance of payments also shows the government borrowings from time to time. The figures in the two annexures do not tally - they, however, give the trend which is more or less the same. As stated above neither of the annexures are authentic on account of the nature of the economy and on account of the deficiencies in the government organisations compiling the information from time to time.

182. It can be seen from the annexure that private financial institutions and suppliers' credit have always played an important role in the financing of the government operations. It appears that most often the borrowing were for short-term and used to carry a rate of interest which used to be "1½ per cent above the New York Prime Rate." Till 1962 the Bank of Monrovia used to be primary lender to the government.

22/ P. 258, ibid.

23/ P. 260, Ibid.

183. With its membership of the IMF and the IBRD, the private investments in Liberia in the early sixties, the favourable price level of exports (and consequential better financial revenues), and better foreign governmental flows of assistance the government, gradually repaid the financial institutions and suppliers' credit in the 1960's. By the early seventies' the debt from foreign financial institutions and suppliers' credit was just in the region of about US\$ 15 million.

184. Due to the fall in the prices of exports from the country and the oil crisis of 1973, the revenues began to suffer and the government once again began borrowing from financial institutions. In 1977 and 1978 the government borrowed from transnational banks, substantial amounts of money for the OAU centre. The following table shows the approximate amounts that were borrowed from the financial institutions from 1977 till and 1981 and the terms and conditions under which they were borrowed.

185. It can be seen that the CITIBANK and the CHASEMANHATTAN, who are having operations in Liberia, either lent the money directly or acted through the syndicates. Lending was mostly for general government purposes nor productive projects.

186. After the Military took over the government in April 1980, there was flight of finance from the country and the economy was also affected which, in turn, affected the resources of the Government. Whereas interest and amortization liabilities on external debt had to be met, even the internal revenues of the Government came down. Flight of capital and the lack of resources with the Government to meet its obligations, together with entire dependence on US currency for operations of the economy, have created unprecedented liquidity crisis in Liberia. In this situation, only the Transnational banks are at an advantageous position as they can get money either from their head offices or other foreign banks. The dependence of the government on transnationals banks, specially those operating in Liberia, has increased considerably, as these banks can handle the situation with least difficulty.

187. It was mentioned during discussions with the NBL and the Ministry of Finance that the Government is often forced to approach the transnationals, specially those operating in Liberia, even to meet short-term requirements of the Government. The transnational banks, aware of the peculiar difficulties of the Government, do take advantage. In fact, the terms and conditions on which they agree to lend are often extremely onerous, making conditions for the Government even more difficult. No details of the Terms and conditions were, however, made available.

188. It can be seen from the annexure that right through, the Government has been using prefinanced loans/supplier's credit for its own operations. Supplier's credit, has come from countries like Norway, Sweden and U.K. and the supplier's in-turn appear to have borrowed for Transnationals, as has been the case with private investments.

189. Transnational banks have, therefore, always played an important part in the financing of Government operations which, in turn, was mostly concerned with providing infrastructure and other facilities for the operation of Transnational Corporations operating in Liberia in the Mining, rubber and timber areas than in the over-all development of the economy. Of late their influence has entered the

Table 5: Borrowings by the government of Liberia during 1977-1981

Year/month	Name/names of Institutions	Amount	Terms and Conditions	Period	General purpose
February 1977	Chase Manhattan	\$30 million	1. 2% above LIBOR 2. .. fees not avail- able	7 years	General
November 1978 Syndicate:	1. Chase Manhattan Banking Group				
	2. Citicorporation Inter- national Group	\$60 million	1.625% above LIBOR	8 yrs.	General purpose
	3. Bank of Montreal		2. Participation fee		
	4. Midland Bank Ltd.,		1st level - 0.125		
	5. Bank of Tokyo Ltd.		2nd level - 0.259		
			3rd level - 0.500		
April 1979 - Syndicate:	1. Taiyo Kobe Bank Ltd.	(Y=600.0m	1. Interest - Not available	10 years	General purpose
	2. Long-term Credit Bank	US\$27.8 million	2. Fees - not available		
	3. Taiyo Mutual Life Insurance Co.				

Source: Borrowings in International Capital Markets: World Bank - various issues.

general governmental operations as the government is forced to borrow from these transnationals even for general governmental purposes and often even short-term requirements.

5. Host country legislation

190. As stated earlier there is no legislation on Transnationals in Liberia. The only thing that is necessary for the transnational banks is to obtain a charter from the Government/legislature which spells out the objectives, capital and resources and incentives and concessions, if any. They abide by the normal law of the land on taxation, remittances etc. further subject to the Charters.

191. After the National Bank of Liberia, the Central Bank of the country, was established in 1974, the Central Bank began laying down certain reserve requirements, interest rate policies etc. which are applicable to all commercial banks. It was not spelt out that it was directed against transnationals, though mostly the transnationals commercial banks were required to adhere to it as major portion of the business was concentrated with them. It appears that in some cases like lending rates, the commercial banks got over the directives in a round about manner and the central bank over the years has removed these restrictions rather than take any action on the banks for not strictly adhering to the guidelines.

192. When one looks at the actions of the Central Bank and the Government on implementing the control measures on banking and financial institutions in general, one gets a feeling that instead of persuading or forcing the transnationals to alter their operations in the best interests of economic development, the Central Bank and Government have tried to leave the transnationals alone and create new institutions to fill the gap. When it was found that Transnationals were not lending for agriculture or housing or industrial development, they created new institutions; similarly when the transnationals were not lending to Liberians, they created a guarantee fund to persuade the transnationals to lend to Liberians.

193. Even after the revolution, with an anxiety not to upset the open door policy of foreign investment, even the legislation that was brought about for regulating the flow of foreign exchange was abrogated just after a month.

194. It would appear to be an appeasing type of attitude towards all transnationals, including banks and other financial institutions. The Transnational banks operate under an atmosphere of total freedom.

6. Impact on development

195. As it is clear from the above analysis, the transnational commercial banks have dominated the financial scene in Liberia right from 1935. The present Bank of Monrovia came along with the Firestone Rubber concession. The other banks followed partly to meet with trade requirements of new countries and partly to meet with the new investments in trade. Commerce and industry by a few other countries. Commercial banks, in general, have been associated with foreign trade and manufacturing enterprises and partly with Government requirements. In all

affairs they have been interested in making as much profits as possible. In this section an assessment of positive and negative impacts of the commercial banks on the economic development is attempted, as impacts are not necessarily against the interests of the country.

Positive::

(i) Source of foreign capital

196. Commercial banking started positively with the Firestone Rubber Company as a subsidiary to meet its financial requirements. Gradually, the same bank became a banker to the Government and also became responsible for the currency operations of the country right up till the National Bank of Liberia was established in 1974. Monetisation of the economy, therefore, practically began with the entry of the Transnational Commercial Banks.

197. The Firestone Rubber era was followed by the iron ore era for nearly 15 years when the 4 iron ore companies were established and iron ore became the single most important contributor to the economy of Liberia. In 3 out of the 4 ventures, not only was the Bank of Monrovia the banker, but brought in loan capitals, from various sources, for the investments. As a banker, apart from bringing in capital, it also obviously must have played a vital role in the over-all financing and operations of the iron ore mines.

198. With the "open door" policy of Liberia, other foreign investments in trade and industry came into Liberia and along with it the various banking institutions. The exact amounts brought in by each of the banks from each of the countries is not available; the fact, however remains that they came along with investments and whatever ~~modern~~ industry or trade now exists, obviously has been contributed to a great extent by the coming in of these transnational banks.

199. The exact amount of foreign capital that was arranged to be brought into Liberia by the commercial banks is not available; but they were obviously a source of funds to the Government of Liberia to meet its various requirements from time to time. Appendix XXII shows the external debt arising from loans provided by the various institutions from time to time right up to 1981. It can be seen that private banks have been a major source of such funds. Right up till 1962 the Bank of Monrovia was practically the only bank that provided funds to the Government. After that also the banks operating in Liberia either provided the funds or helped Government obtain funds from other banks as is apparent from 1977 - the exact details, however, are not available till 1977. In February 1977, when the Government of Liberia wanted bank credit for meeting partly its investments and partly its current account deficit, the Chase Manhattan Bank Ltd. of New York, made available a sum of \$30 million through its subsidiary. Again in 1978, when the Government wanted a further assistance of \$60 million, a syndicate was formed, apparently under the leadership of Chase Manhattan Banking Group wherein the Citicorporation internal group (previously First City National Bank of N.Y.) was also associated along with the Bank of Montreal, Bank of Tokyo and the Midland Bank to provide the necessary facility. The transnational banks have, therefore, acted as a source of foreign capital both to the Government and to the private sector from time to time.

(ii) Source of bridging/short-term finance

200. As the country has neither a currency of its own nor any exchange control, the economy gets affected if adequate liquidity is not maintained. The commercial banks were primarily responsible for maintaining liquidity till 1974 - by and large the short-term funds required for a smooth-functioning of the economy were provided by the banks wherever necessary. Even afterwards, specially from 1979, their contribution has been quite considerable.

201. From Annexure 2-IV it is obvious that the uses of funds in Liberia exceeded the sources of funds of commercial bank for most of the period (excepting 3-4 years) from 1964 to-date. The amounts so brought in the recent 3-4 years and specially after the liquidity crisis in 1980 and 1981 has been substantial. Apparently, these funds were brought in or provided by the banks from abroad (not necessarily from their own parent institutions) to meet the short-term requirements of business and industry. But for their providing these funds, the position of the economy would have been much worse.

(iii) Others

202. Till commercial bank was established by the Firestone Rubber Co., the subsistence economy (not monetary) was predominant. Since then the Gross Domestic Product has grown substantially mainly through foreign investment in Rubber, commercial agricultural products like cocoa, coffee and timber and in mining, specially in iron-ore and to an extent in diamonds. The growth of the monetary sector, and the growth in the gross domestic products of the country, is in no small measure due to these commercial banks.

203. Whatever financial intermediation exists in Liberia today, is mainly dominated by these Transnational banks. Though the Chief Executives and Senior managers are foreigners, a number of Liberians have been associated in the running of the institutions. A foundation exists, with the necessary skills, for development of sound financial institutions in the country. Though the contribution could have been better, it cannot be denied that a foundation has been laid on the skills required for development of financial intermediaries of all types.

204. At a time when the country was extremely short of trained and skilled personnel for the administration of the Maritime laws and corporate lands, the International Trust Company of Liberia came to the picture and established itself not only as a commercial bank but as an administrator of the above laws. In fact, the above bank has been responsible for the registration of ships and other companies in Liberia, which have contributed in no small measure not only to the revenues of the Government of Liberia but also as a good source of foreign exchange to the country. Here again, obviously, the necessary local skills have been developed.

Negative

205. Impact of the operations of the commercial banks has not been only positive - there have been a number of negative factors; in fact, the negative factors probably outweigh the positive.

(i) Lending and investment policies

206. The banks no doubt came to facilitate foreign investors in trade and industry. For providing the service they gradually began mobilising local resources and using them - over the years domestic resources have far out-stripped the foreign resources. The uses to which all the resources have been used have, however, been more towards commerce and trade rather than towards positive economic development. As noted earlier, even now greater portion is for commerce rather than for production - most of it is used for exports and imports and other related items, not for productive investment. Though nearly 70 per cent of the people live in rural areas and are involved in agriculture and related fields of economic activity, hardly any credit is provided to them.

207. Most of the operations are in urban areas - it appears as though there are less than 20 branches of the banks in the whole country; rural areas are left to remain a subsistence economy. It would appear that it is only of late that the Government banks seem to be just going into the rural areas.

208. Most of the lending would again appear to be for non-Liberian firms and business-houses. Liberians are given personal loans where they can offer adequate security. In both cases rates of interest charged have always been very high.

209. Hardly any investments have been made in stocks, shares/debentures as is shown in Appendix 2-IX ... The whole exercise has been towards facilitating foreign business and trade and maximization of profits - not using resources for the productive development of the economy.

(ii) Transfers and balance of payments problems

210. The banks have been making enormous profits and using the profits partly for payments to the parent companies and partly for lending, as long as lending in Liberia has been found profitable. This became apparent in the early years after the National Bank of Liberia came into the picture from 1974 - when the Central Bank began laying down deposit rates and lending rates, funds began to be kept outside though they were required for the economy. It was only when such limits were removed, that funds began to be used wherever they were found profitable - either in Liberia or abroad.

211. With no currency of its own, Liberia depends on commercial banks, to a great extent, on the required liquidity for the economy. When the military took over the government, there was large scale movement of funds out of the country - the

commercial banks participated and did not bring back adequate funds leading not only to difficulties in balance of payments but to an unprecedented liquidity crisis in the economy leading to a fall in the gross domestic product in 1981 and 1982.

(iii) Relations with Transnational Corporations

212. As noted earlier, these banks came with the Transnational Corporations and foreign business houses and have been serving their interests in providing the services necessary for them to exploit the country and its resources. When the military government took over, not only was there a flight of private capital but flight from Transnationals. Instead of additional foreign investment, there was foreign disinvestment in the 3 years ending 1981. Obviously banks assisted the transnationals in the process.

(iv) Relations with the Government

213. Right through the years the transnational banks have been providing funds to the government both from internal resources and from abroad, either from their parent companies or in partnership with other transnationals. Even now the government is very often dependent on them for short-term liquidity. Apart from the advantageous position in which they are placed, the transnationals have not hesitated to exploit the situation by imposing strenuous terms and conditions. In fact, the government and the NBL seem to be constantly in touch with these transnational banks to get over the problems of liquidity, shortage of funds for running the government etc. The government and the NBL appear to fear even replacement of the currency or imposing foreign exchange controls, thanks to the hold of the Transnational Banks on the economy.

Conclusion

214. Though the banks have assisted in the growth of the GDP and in the monetization of the economy, all through they have acted in their own interests, in maximising profits by using Liberian resources, and have assisted foreign companies and business houses to maximize profits in their operations rather than contributed to the equitable development of the Liberian economy.

ANNEX 2-I

Name of the Bank	Date of Establish- ment	Ownership	Paid-up capital	No. of branches
1. CITIBANK (previous bank of Monrovia)	1935-1955	Wholly owned subsidiary of the FIRST NATIONAL CITY BANK of New York	(End Dec. 1983 \$500,000	3 only corporate lending from 1978.
2. LIBERIA TRADING AND DEVELOPMENT BANK LTD. (TRADVELO)	1953	60% Medio Banca of Italy 40% Bankers' Trust of New York	\$500,000	5
3. INTERNATIONAL TRUST Co. of LIBERIA	1960	Subsidiary of Inter- national Bank of Washington	\$500,000	4
4. CHASE MANHATTAN BANK	1961	Branch of the Chase Manhattan Bank of USA	\$500,000	2
5. BANK OF CREDIT & COMMERCE INTERNATIONAL (BCCI - OVERSEAS)	1978	Affiliate of BCCI holdings (Luxemburg) SA	\$471,000	
6. THE NATIONAL HOUSING and SAVINGS BANK	1976	Government of Liberia		5
7. AGRICULTURAL CREDIT AND CO-OPERATIVE DEVELOPMENT BANK	1976	1. Government of Liberia 2. Liberia Produce Marketing Corporations 3. Liberian National Federation of Co-op. Societies.		4

Source: NATIONAL BANK OF LIBERIA - March 1984.

Capital and Reserves of Transnational and National, Commercial Banks
End December 1967 - 1982 (US\$ '000)

Period Ending December	Capital		Reserves		Total of Capital and Reserves	
	Transnational/ affiliated	Nationals	Transnational/ Affiliated	Nationals	Transnational/ affiliated	Nationals
1967	3 749	-	2 076	-	5 825	-
1968	3 735	-	1 940	-	5 675	-
1969	3 837	-	2 051	-	5 888	-
1970	3 943	-	1 994	-	5 937	-
1971	N.A.	-	N.A.	-	N.A.	-
1972	N.A.	-	N.A.	-	N.A.	-
1973	N.A.	-	N.A.	-	N.A.	-
1974	5 100	-	3 790	-	8 890	-
1975	1 750	-	4 006	-	5 756	-
1976	2 250	-	6 546	-	8 796	-
1977	2 500	5 000	6 980	-	9 480	5 000
1978	2 500	5 000	9 660	-	12 160	5 000
1979	2 500	5 000	10 111	978	12 611	5 978
1980	2 500	8 884	4 983	1 487	7 483	10 371
1981	2 500	8 884	4 949	1 950	7 449	10 834
1982	2 500	8 884	6 304	2 008	8 804	10 892
1983	2 471	12 136	5 826	2 008*	8 297	14 144
						22 441

NOTES: * Provisional

Nationals: (i) National and Housing Bank; and (ii) Agricultural and Co-operative Development Bank.

Source: Till 1974 - "Economic Survey" - Ministry of Planning and Economic Affairs - various issues.

1974-1981 - Annual Report and Accounts - National Bank of Liberia - various issues

1982-1983 - National Bank of Liberia - March 1984.

ANNEX 2-III

Foreign Assets and Liabilities of the Commercial Banks 1967-1976

(L\$ million)

End December	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
I. Foreign assets (net)	-4.30	-7.54	-4.44	-4.14	-6.36	-4.48	2.43	-3.76	-7.87	20.78
A. Foreign assets:	4.78	24.41	10.72	11.16	9.44	11.83	16.81	23.48	17.16	36.43
Cash on hand: Notes	((3.04)	(2.37)	(3.10)	(2.39)	(2.14)	(1.46)	(3.25)	(3.55)	(3.82)	(3.90)
Claims on banks abroad	(3.54)	(21.26)	(7.27)	(7.08)	(5.49)	(8.84)	(22.09)	(19.70)	(12.89)	(32.36)
Export bills discounted	-	-	(0.15)	(0.01)	(0.03)	(0.48)	-	-	-	-
Loans & O.D. to non-residents	-	-	-	(1.55)	(1.59)	(0.89)	(0.92)	-	-	-
Others	(0.20)	(0.78)	(0.19)	(0.12)	(0.19)	(0.16)	(0.35)	(0.23)	(0.45)	(0.17)
B. Foreign Liabilities	-11.08	-31.95	-15.16	-15.30	-15.80	-16.31	-14.38	-27.24	-25.03	-15.65
Liabilities to banks										
abroad	(-9.52)	(-11.02)	(-9.50)	(-11.87)	(-13.61)	(-10.91)	(-12.69)	(-25.99)	(-21.05)	(-12.63)
Non-resident deposits	(1.56)	(-20.93)	(-5.60)	(3.43)	(2.19)	(-5.40)	(-1.69)	(-1.15)	(-3.98)	(-3.02)
Liabilities to banks abroad										
Head offices				NOT AVAILABLE				26.1	20.09	8.8
Other Banks								N.A.	0.09	3.8

Source: 1967-1973: "Economic Survey" - Ministry of Planning and Economic Affairs - various issues.

1974-1976: National Bank of Liberia, Annual Report and Accounts.

ANNEX 2-IV

Foreign Assets and Liabilities of the Transnational Banks and of National Banks
as at the end of December in each of the years ending 1981-1983

	1981			1982			1983		
	Trans- national	National	Total	Trans- national	National	Total	Trans- national	National	Total
<u>Foreign assets</u>									
(i) Cash on hand: notes	7 176	1 499	8 675	4 648	345	4 993	5 808	540	6 348
(ii) Balances with banks abroad	2 781	3 869	6 650	4 245	2 727	6 972	15 126	2 930	18 056
(iii) Other foreign assets	194	9	203	117	11	128	69	27	96
Total foreign assets	10 151	5 377	15 528	9 010	3 083	12 093	21 003	3 497	24 500
<u>Foreign Liabilities</u>									
(i) Due to banks abroad	27 698	28 536	56 234	26 943	27 533	54 476	12 307	28 253	40 560
(ii) Non-resident deposit	(-391)	509	118	78	-	78	25	-	25
Total foreign liabilities	27 307	29 045	56 352	27 021	27 533	54 554	12 332	28 253	40 585
Net foreign assets	(-17 156)	(-23 668)	(-40 824)	(-18 011)	(-24 450)	(-42 461)	8 671	(-24 756)	(-15 085)
<u>Liabilities to banks abroad</u>									
(i) Head offices			26 700			23 476			N.A.
(ii) Other banks			29 534			31 000			N.A.

Source: Information supplied by the National Bank of Liberia, March 1984.

ANNEX 2-V

Deposit mobilization by transnational and national banks from 1976-1983
(U.S. million)

End of period	Demand deposits			Time deposits			Savings deposits			Total deposits			Cap at current market price	Total deposits as % of GDP
	Trans-nationals	Nationals	Total	Trans-nationals	Nationals	Total	Trans-nationals	Nationals	Total	Trans-nationals	Nationals	Total		
Dec. 1976	52.9	0.5	53.4	17.4	1.5	18.9	23.2	1.3	24.5	22.5	3.3	25.8	675.9	14.32
Dec. 1977	46.1	4.2	50.3	12.1	1.4	13.5	28.5	2.9	31.4	24.8	6.6	31.4	804.0	12.83
Dec. 1978	56.4	6.0	62.4	23.2	4.7	27.9	37.2	5.1	42.3	115.8	15.6	131.4	647.9	15.73
Dec. 1979	50.7	15.2	65.9	21.7	10.5	32.2	36.7	6.1	42.8	106.1	33.2	139.3	979.9	14.79
Dec. 1980	46.7	14.3	61.0	16.7	1.2	17.9	27.7	8.7	36.4	91.1	24.8	115.9	1 033.1	11.21
Dec. 1981	24.8	6.1	30.9	13.0	2.8	15.8	26.5	7.9	34.4	75.1	14.8	89.9	893.4	9.34
Dec. 1982	34.7	12.6	47.3	19.3	6.2	25.5	22.9	9.5	32.4	84.9	27.3	112.2	N.A.	
Dec. 1983	-	N.A.	55.0	-	N.A.	27.5	-	N.A.	40.2	-	N.A.	112.7	N.A.	

- Sources: 1. Totals Quarterly Statistical Bulletins - National Bank of Liberia, various issues.
 2. Nationals Annual Reports and Statements of Accounts of NBL and ACCDB - various issues.
 3. Transnationals Totals minus nationals.
 4. GDP, 1980 - various reports on Liberia.
 5. Total deposit as % of GDP = derived. (Total deposits) / GDP

ANNEX 2-VI

Source of deposits of commercial banks in Liberia 1960-1982

(L\$ '000)

End-Dec.	Personal deposits			Public corporations deposits			Other corporations etc. deposits		
	Demand	Time	Savings	Demand	Time	Savings	Demand	Time	Savings
1963	3 240			3 690			12 930		
1970	5 800			1 050			14 310		
1971	6 040			1 800			12 240		
1972	5 920			1 000			15 520		
1973	5 690			1 065			22 200		
1974	7 427	3 423	14 135	1 566	4 269	706	29 779	5 597	1 910
1975	7 920	4 367	17 906	3 772	4 035	848	21 710	4 252	1 112
1976	7 900	5 259	23 083	6 650	6 713	219	39 419	6 916	1 235
1977	6 410	10 452	30 875	7 950	6 933	269	36 936	3 125	1 158
1978	8 319	8 236	38 257	8 223	6 943	8 38	46 589	12 708	2 061
1979	11 227	8 381	41 790	13 100	16 304	123	41 514	7 582	2 988
1980	10 429	4 372	40 365	11 234	7 753	394	35 263	4 603	1 253
1981	6 600	3 560	30 312	2 850	5 492	1 079	31 322	7 506	3 001
1982	6 373	7 331	34 723	2 854	6 964	615	30 087	11 150	3 089

Source: Quarterly Statistical Reports, National Bank of Liberia, various issues.

ANNEX 2-VII

Aggregate statements of liabilities and assets of the Commercial Bank of Liberia as at the end of December 1981-1983
(Figures in '000 Liberian dollars - same as US dollars)

	1981			1982			1983		
	Total	ACCDB and NISB	Trans-nationals	Total	ACCDB and NISB	Trans-nationals	Total	ACCDB and NISB	Trans-nationals
Liabilities									
1. Capital	11 384	8 884	2 500	11 334	8 884	2 500	14 607	12 136	2 301
2. Reserves	6 899	1 487	5 412	6 312	1 950	6 362	7 992	2 166	5 826
3. Due to banks abroad	56 536	27 693	54 476	27 533	26 943	26 943	40 569	28 253	12 307
4. Non-resident deposits	113	509	(-391)	78	-	78	25	-	25
5. Balance due to IBL	509	-	509	629	629	-	1 134	1 134	-
6. Balance due to commercial banks in Liberia	7 298	-	7 298	1 597	-	1 597	2 718	2 157	551
7. Balance to financial institutions in Liberia	499	-	499	870	-	870	1 572	-	1 572
8. Total deposits of reserves	91 831	13 730	78 102	112 206	24 065	88 141	112 705	27 110	85 495
9. G.O.L. Deposits	2 360	60	2 420	1 460	60	1 520	1 916	1 516	-
10. Acceptances	2 391	-	2 391	1 462	-	1 462	3 976	-	3 976
11. Other liabilities	56 472	4 427	52 045	60 397	4 948	55 449	83 695	26 234	57 461
12. Total liabilities	233 699	57 633	176 066	255 471	67 349	188 222	278 811	100 806	178 005
Assets									
1. Cash on hand	9 583	1 778	7 805	7 584	456	7 128	7 954	646	7 308
2. Balances with the National Bank of Liberia	26 751	4 750	32 001	30 283	4 791	32 492	51 724	7 260	44 464
3. Balances with commercial banks in Liberia	7 578	1 892	5 686	2 303	21	2 282	2 342	1 726	616
4. Balances with other financial institutions in Liberia	-	-	-	1 250	1 250	-	11	-	212
5. Balances with banks abroad	6 650	3 869	2 781	6 972	2 727	4 245	18 056	2 930	15 126
6. Total domestic credit	126 789	30 903	87 886	13 580	48 969	85 611	117 443	54 402	63 041
7. Other foreign assets	203	9	194	128	11	117	96	27	69
8. Investments in Liberia	1 691	-	1 691	1 085	-	1 085	1 087	-	1 087
9. Fixed assets	5 147	2 432	2 705	7 357	4 343	3 014	7 761	4 388	3 373
10. Other assets	49 302	3 980	45 322	51 979	4 681	48 248	73 815	29 481	44 334
11. Total assets	233 699	57 633	176 066	251 471	67 219	184 222	280 490	100 806	179 684

Sources: Totals: National Bank of Liberia - Statistical Bulletin - Fourth Quarter, 1983
ACCDB & NISB: National Bank of Liberia - collected from the Department of Statistics, March 1984
Trans-nationals: Derived from Totals minus ACCDB & NISB

Consolidated statement of the assets of the commercial banks from 1977-1979
('000 dollars)

End December	1977			1978			1979		
	TNS	NHSB	Total	TNS	NHSB	Total	TNS	NHSB	
1. Cash on hand	6 361	223	6 232	5 849	383	5 150	4 446	704	
(a) Bank notes			(5 738)			(4 584)			
(b) Coins (UG & LL)			(494)			(566)			
2. Balances with National Bank of Liberia			18 584			13 829			
3. Balances with Commercial Bank in Liberia	14 208	6 698	6 850	22 413	3 021	7 025	1 422	12 432	
4. Balances with financial institutions in Liberia	-	-	-	-	-	-	-	-	
5. Balances with banks abroad	18 896	-	19 122	19 122	-	30 799	30 799	-	
(a) Head offices	(1 192)	-	(172)	(172)	-	(5 859)	(5 859)	-	
(b) Other banks	(17 688)	-	(18 950)	(18 959)	-	(24 940)	(24 940)	-	
6. Credit-loans & overdraft to government	4 671	-	9 413)		9 492	2 840		6 112	
(a) Long-term	(1 671)	-	(9 413)	11 255	-	(2 540)	34 741	-	
(b) Others	-	-	-	-	-	-	-	-	
7. Public corporations	1 133	-	11 334)	-	-	38 012)	-	-	
8. Non-residents	-	-	-	-	-	-	-	-	
9. Companies & individuals									
10. Import bills discounted	100 468	6 517	129 932	103 949	25 983	143 752	98 711	45 041	
11. Total domestic credit (6+7+9+10)	106 277	6 517	150 686	7	-	285	285	-	
12. Other foreign assets (foreign bonds and securities, export bills discounted, foreign checks, etc.)	393	-	308	318	-	355	355	-	
13. Liberian securities	2 378	-	2 234	2 234	-	2 234	2 234	-	
(a) G.O.L.	(129)	-	-	-	-	-	-	-	
(b) Private sector	(2 249)	-	(2 234)	(2 234)	-	(2 234)	(2 234)	-	
14. Fixed assets	1 606	939	3 363	2 197	1 166	3 837	2 644	1 193	
15. Other assets	24 015	239	22 051	21 526	525	39 279	37 861	1 418	
(a) Clearing items	(3 828)	-	(3 860)	(3 860)	-	(7 682)	(7 682)	-	
(b) Acceptances	(13 532)	-	(10 190)	(10 190)	-	(13 602)	(13 602)	-	
(c) Others	(6 656)	(239)	(8 001)	(7 476)	(525)	(17 995)	(16 577)	1 418	
16. Total assets	174 125	14 616	229 430	198 352	31 078	287 398	213 498	73 900	

Sources: 1. National Bank of Liberia - Quarterly Statement Bulletin - various issued

2. Annual Reports and Statement of Accounts - NHSB - various issues.

(a) TNS = Transnationals; NHSB = National Housing and Savings Bank.

ANNEX 2-IX

Consolidated statement of the assets of the commercial banks from 1982-1983
('000 dollars)

	1982				1983			
	ACODB	NESB	TNS	Total	ACODB	NESB	TNS	Total
1. Cash on hand	207	249	7 128	7 584	190	455	7 306	7 954
(a) Bank-notes	(163)	(177)	(4 648)	(4 993)	(150)	(290)	(5 000)	(6 348)
(b) Coins (US & L)	(39)	(72)	(2 490)	(2 591)	(40)	(66)	(1 500)	(1 606)
2. Balances with NEB	916	3 875	32 492	37 283	1 004	6 236	44 464	51 724
3. Balances with commercial bank in Liberia	-	21	2 232	2 303	1 526	200	616	2 342
4. Balances with other financial institutions in Liberia	1 250	-	-	1 250	-	-	212	212
5. Balances with banks abroad	267	2 460	4 245	6 972	173	2 757	15 226	18 056
(a) Head offices	-	-	(827)	(327)	-	-	(6 125)	(6 125)
(b) Other banks	(267)	(2 460)	(3 418)	(6 145)	(173)	(2 757)	(9 001)	(11 931)
6. Credit-loans and O.D. to governments	-	3 485	4 570	4 055	-	2 825	-	2 825
(a) Long-term	-	(3 495)	-	(3 495)	-	(1 712)	-	(1 712)
(b) Others	-	-	(570)	(570)	-	(1 113)	-	(1 113)
7. Public corporations	536	33 969	7 880	42 385	2 146	34 205	10 226	14 431
8. Non-residents	23	-	7 043	7 071	-	-	-	-
9. Companies and individuals	1 511	9 445	70 113	81 069	3 660	11 566	53 142	58 368
10. Import-bills discounted	-	-	-	-	-	-	1 819	1 819
11. Total domestic credit (6+7+8+9+10)	2 070	46 899	85 611	134 580	5 806	48 596	53 142	117 443
12. Other foreign assets (bonds, securities, export bills, checks etc.)	-	11	117	128	-	27	69	96
13. Liberian securities	-	-	1 085	1 085	-	-	1 087	1 087
(a) Government of Liberia	-	-	-	-	-	-	-	-
(b) Private sector	-	-	(1 085)	(1 085)	-	-	(1 087)	(1 087)
14. Fixed assets	433	3 910	3 044	7 357	446	3 912	3 373	7 561
15. Other assets	2 610	2 071	48 248	52 929	11 357	16 125	44 334	73 815
(a) Clearing items	(521)	(116)	(2 559)	(3 196)	(620)	(265)	(1 853)	(2 763)
(b) Acceptances	-	-	-	-	-	-	-	-
(c) Others	(2 099)	(1 955)	(45 689)	(49 733)	(10 737)	(17 839)	(42 475)	(71 052)
16. Total assets	7 753	59 496	134 222	251 471	20 502	80 206	179 631	280 490
Percentages of assets held by various groups	(3.08)	(23.60)	(73.26)	100.00	(7.31)	(28.53)	(64.06)	100.00

Sources: 1. Totals National Bank of Liberia, Quarterly Statistical Bulletin, Fourth Quarterly 1983.

2. Figures of ACODB and NESB: Statistical Returns Received by the N.B.L. (as collected during personal visit).

3. Figures of TNS: Derived (totals minus ACODB + NESB).

Notes: (a) ACODB = Agricultural Credit and Co-operative Development Bank

(b) NESB = National Housing and Savings Bank

(c) TNS = Transnational banks.

ANNEX 2-X

Distribution of Commercial Bank Credit Sector-wise 1967-1975
(in millions of dollars)

End-December	1967	1968	1969	1970	1971	1972	1973	1974	1975
1. Commerce	10.20	10.60	15.53	15.53	20.90	27.50 (53.0)	24.70 (45.7)	35.27 (50.0)	43.25 (56.3)
2. Agriculture	1.30	1.06	1.15	3.78	3.16	5.07 (10.7)	13.21 (21.4)	15.35 (22.3)	15.26 (19.0)
3. Personal	2.50	3.12	2.84	4.13	5.46	5.98	3.00	3.07	2.61
(a) Liberian citizen	2.20	2.67	2.39	3.53	4.60	N.A.	N.A.	N.A.	N.A.
(b) Foreign residents	0.30	0.51	0.45	0.60	0.73	N.A. (12.5)	N.A. (13.9)	N.A. (11.2)	N.A. (11.2)
4. Construction	2.20	2.14	2.07	2.21	2.25	3.17 (5.7)	2.32 (5.2)	4.10 (5.7)	3.12 (4.5)
5. Transportation	0.50	0.40	0.27	0.33	0.25	0.53 (1.1)	1.73 (3.2)	2.33 (3.2)	0.90 (1.2)
6. Manufacturing ^{a/}	-	-	-	0.31	2.25	1.40 (3.0)	1.47 (2.7)	2.10 (3.1)	0.91 (1.2)
7. Mining	-	2.24	2.14	0.20	0.01	0.88 (1.9)	0.63 (1.3)	0.83 (3.4)	2.95 (3.8)
8. Others	4.30	3.89	4.63	7.66	4.24	2.89 (6.0)	1.47 (2.7)	1.97 (2.7)	1.47 (1.9)
Total	20.12	22.59	22.95	36.24	33.55	47.42	51.13	71.27	76.76

Source: National Bank of Liberia - Quarterly Statistical Bulletin - various issues.

a/ Includes credit to public corporations (but not to government).

b/ () Percentages.

NINETY-ONE

DISTRIBUTION OF CAPITAL OF CORPORATIONS WITH SECURITIES ISSUED 1976-1979
(IN MILLIONS OF DOLLARS)

End-December	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	29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Distribution of commercial bank credit sector wise 1982-1983
(US millions)

	1982				1983			
	ACODB	NISB	TNC	Totals	ACODB	NISB	TNC	Totals
1. Agriculture	0.2	-	8.6	8.8	-	-	-	8.5 (7.8)
11. Rubber	-	-	5.8	6.8	-	-	-	5.2 (4.8)
12. Forestry	-	-	1.5	1.5	-	-	-	0.6 (0.5)
13. Fishing	-	-	0.4	0.6	-	-	-	2.7 (2.5)
2. Mining and Quarrying	-	-	-	-	-	-	-	-
21. Iron Ore	-	-	-	-	-	-	-	-
22. Quarrying	-	-	-	-	-	-	-	-
3. Manufacturing	-	-	-	-	-	-	-	-
4. Construction	0.1	8.3	2.2	10.6	-	0.3	0.8	9.4 (8.6)
41. Housing	0.1	8.3	0.1	8.5	-	-	-	8.6 (7.9)
42. Home importer	-	-	0.3	0.3	-	-	-	0.3 (0.3)
43. Other construction	-	-	1.4	1.4	-	-	-	0.5 (0.4)
5. Transport, storage and communication	-	-	17.7	17.7	-	-	-	1.0 (0.9)
51. Transportation	-	-	17.7	17.7	-	-	-	1.0 (0.9)
52. Storage	-	-	-	-	-	-	-	-
53. Communication	-	-	-	-	-	-	-	-
6. Trade, hotels and restaurant	1.6	-	35.5	37.1	-	-	-	25.7 (23.5)
61. Diamond trade	-	-	-	-	-	-	-	0.1 (0.1)
62. Other trade	1.6	-	35.2	36.9	-	-	-	25.6 (23.4)
63. Hotels	-	-	0.2	0.2	-	-	-	-
64. Restaurants	-	-	-	-	-	-	-	-
7. Services	-	1.1	3.6	4.7	-	-	-	7.7 (7.1)
8. Personal	0.2	0.6	6.3	7.1	-	-	-	7.7 (7.1)
9. Government of Liberia	-	-	3.8	3.8	-	-	-	1.7 (1.5)
10. Public corporations	-	35.3	6.5	41.9	-	-	-	43.3 (39.6)
11. Others	-	-	2.1	2.1	-	-	-	4.3 (3.9)
Total	2.1	45.3	87.4	134.6	-	-	-	100.4 (100)

Sources: Totals - Quarterly Statistical Bulletins - National Bank of Liberia.

ACODB - Annual Report and Statement of Accounts - 1982.

NISB - Annual Report and Statement of Accounts, 1981 and 1982.

Note: ACODB and NISB figures taken from details shown in the Annual Reports.

ANNEX 2-VIII

Commercial Banks Deposit and Lending Rates (weighted average) - 1980-1993

End-December	1980			1981			1982			1983		
	Range %	Average %		Range %	Average %		Range %	Average %		Range %	Average %	
I. Lending rates												
(a) Overdraft	15.5-25.5	19.4		15.1-27	21.5		20.22	21.6		19.0-22.0	20.7	
(b) Personal	10.0-19.5	12		6.16	12.5		6.13	14.4		10.0-25.0	14.0	
(c) Mortgage	9.0-19.5	13.2		11.5-19.5	12.1		12.10	12.5		12.0-13.0	12.1	
II. Deposit rates												
(a) Savings	9	9		9	9		9	9		9	9	
(b) Time	9.75-11.6	10.3		9.75-13	11.5		9.13	9.2		9.5-13.0	10.5	
(c) Certificate of deposits	10.0-10.5	10.3		10.0-13.0	11.4		9.5-9.5	9.5		9.9	9.8	

Source: M.B.L. - Quarterly Statistical Bulletin.

Income and expenses of commercial banks 1977-1979
('000 L\$)

	1977-				1978				1979			
	NHSB	TNS	Total	NHSB	TNS	Total	NHSB	Total	NHSB	TNS	Total	Total
A. Income												
1. Interest on loans and advance	184	9 289	9 473	1 270	10 831	12 101	5 536	13 219	5 536	13 219	18 755	
2. Interest on balances with banks	283	1 461	1 744	346	905	1 251	313	5 273	313	5 273	5 591	
3. Foreign exchange transactions	-	1 174	1 174	13	1 308	1 321	127	1 185	127	1 185	1 312	
4. Services charges and fees	35	2 672	2 707	108	3 249	3 357	1 865	5 567	1 865	5 567	7 432	
5. Other income	6	2 327	2 333	12	2 278	2 290	6	475	6	475	431	
6. Total current operations income	508	16 923	17 431	1 749	18 569	20 318	7 852	26 079	7 852	26 079	33 931	
7. Extraordinary profits and resources	-	301	301	-	184	184	-	163	-	163	163	
8. Total income	508	17 221	17 732	1 749	18 743	20 502	7 852	26 242	7 852	26 242	34 094	
B. Expenses												
1. Salaries and related payments	N.A.	2 786	2 786	410	3 072	3 482	419	3 470	419	3 470	3 889	
2. Interest paid on deposits	235	3 980	4 215	482	3 714	4 196	1 135	7 232	1 135	7 232	8 367	
3. Interest to banks and other interest	-	1 373	1 373	37	2 584	2 571	3 478	3 325	3 478	3 325	6 903	
4. Other current operating expenses	470	4 082	4 552	368	5 511	5 879	1 828	4 640	1 828	4 640	6 468	
5. Total current operating expenses (before taxes)	705	12 221	12 926	1 297	14 831	16 128	6 860	18 667	6 860	18 667	25 527	
6. Taxes on income and profits	-	1 808	1 808	-	1 929	1 929	-	3 396	-	3 396	3 396	
7. Total current operating expenses (after taxes)	705	14 029	14 734	1 297	16 750	18 057	6 860	22 063	6 860	22 063	28 923	
8. Losses and charge offs	-	650	650	-	349	349	-	348	-	348	348	
9. Total expenses	705	14 679	15 384	1 297	17 109	18 406	6 860	22 411	6 860	22 411	29 271	
C. Profits												
1. Profits from current operations (before taxes)	(197)	4 702	4 505	452	3 738	4 190	992	7 052	992	7 052	8 044	
2. Profits from current operations (after taxes)	(197)	2 894	2 697	452	1 809	2 261	992	4 016	992	4 016	5 008	
3. Profits including extraordinary profits and recoveries, losses and charge offs	(197)	2 545	2 348	452	1 644	2 096	992	3 831	992	3 831	4 823	

Source: Totals: NBL - Quarterly Statistical Bulletin - various issues. NHSB: Annual Reports 1979, 1981 and 1982
TNS (transportations) - total minus NHSB.

ANNEX 2-XV

Income and expenses of commercial banks 1981-1982
('000 L\$)

	1981			1982				
	ACDB	NHSB	TNS	Totals	ACDR	NHSB	TNS	Totals
A. <u>Income</u>								
1. Interest on loans and advances	368	9 366	10 234	19 968	368	8 710	14 030	23 068
2. Interest on balances with banks	266	856	2 388	3 510	124	184	2 141	2 449
3. Foreign exchange transactions	-	-	3 477	3 477	-	-	5 463	5 463
4. Service charges and fees	116	1 725	3 034	4 875	13	1 654	7 397	9 064
5. Other income	8	4	3 187	3 199	21	4	1 155	1 180
6. Total current operations	759	11 951	3 0	35 029	487	10 552	30 185	41 224
7. Extraordinary profits and recoveries	-	-	(37)	(37)	-	-	90	80
8. Total income	759	11 951	31 99	31 992	487	10 552	30 265	41 304
B. <u>Expenses</u>								
1. Salaries and related payments	502	1 370	3 270	5 144	545	1 625	4 506	6 676
2. Interest paid on deposits	124	939	2 507	3 571	120	1 235	8 319	9 674
3. Interest to banks and other interest	N.A.	6 630	384	9 014	N.A.	5 259	(1 778)	3 481
4. Other current operating expenses	828	2 546	5 000	8 374	1 396	2 374	10 782	14 552
5. Total current operating expenses (before tax)	1 454	11 487	13 162	26 103	2 061	10 494	21 796	34 353
6. Taxes on income and profits	-	-	3 484	3 484	-	-	2 678	2 678
7. Total current operating expenses (after tax)	1 454	11 487	16 646	29 587	2 061	10 494	24 496	37 031
8. Losses and charge-offs	-	-	2 037	2 037	-	-	1 636	1 636
	1 454	11 487	18 683	31 624	2 061	10 494	26 132	38 667
C. <u>Profits</u>								
1. Profits from current operations (before taxes)	(695)	463	10 084	8 926	(1 574)	58	8 387	6 871
2. Profits from current operations (after taxes)	(695)	463	5 674	5 442	(1 574)	58	5 709	4 193
3. Profits including extraordinary profits and recoveries and losses and charge-offs	(445)	463	3 350	3 368	(1 074)	58	3 653	2 637

Source: ACDB and NHSB - Annual reports of 1981 and 1982.

Totals: NBL - Quarterly Statistical Bulletins - various issues.

TNS: Totals minus ACDB and NHSB.

ANNEX 2-XVI

Profits remitted by transnational banks - 1975-1982
(L⁰ '000)

	Profits of TNC's including extraordinary items a/	Additions to reserves	Balance of profits (probably remitted)
1975	2 301	216	2 085
1976	2 157	2 540	-383
1977	2 545	234	2 311
1978	1 644	2 680	-1 036
1979	4 051	451	3 600
1980	1 537	(-) 5 128	6 755
1981	3 350	-34	3 384
1982	2 350	1 355	995
Total	20 035	2 314	17 721

Source: Annex II and annex XVI.

National Bank of Liberia

a/ Extraordinary items included provisions for bad and doubtful debts; profits were, therefore, lower than net profits after taxes. That also explains some extra additions to reserves, for example 1976 and 1978. (2) (- minus signs shows reduction of reserves.

ANNEX 1-XVII

Direct Foreign Investment - Liberia country/sector (US\$) - 1978-1979^{a/}

	Mining		Rubber		Forestry		Others ^{b/}		Total	
	1978	1979	1978	1979	1978	1979	1978	1979	1978	1979
China	114 421 579	117 010 582	76 225 000	76 134 422	17 810 816	18 107 606	131 543 000	126 568 390	340 000 413	340 000 000
Germany	106 411 608	109 030 770	-	-	-	-	1 800 000	1 000 000	108 231 608	110 030 770
Kenya	51 836 436	88 822 224	5 666 100	4 048 106	40 013 000	65 537 000	55 669 000	30 510 000	153 206 936	213 907 329
Malta	11 952 213	11 952 213	1 600 000	925 526	-	-	-	-	13 552 213	12 877 739
Uganda	39 403 695	39 111 441	-	-	20 013 000	23 537 000	1 000 000	1 000 000	60 416 695	64 488 441
Uganda	-	-	-	-	19 663 000	21 306 204	14 550 206	17 682 150	34 213 206	39 998 354
Uganda	-	-	-	-	150 000	157 500	120 030	126 506	270 060	284 006
Uganda	-	-	36 787 500	38 175 105	-	-	889 600	1 000 000	37 677 100	39 175 105
Uganda	-	-	-	-	6 103 286	7 292 600	20 985 206	26 893 000	27 088 492	34 822 600
Total	354 047 549	366 767 230	120 279 000	119 462 158	103 753 102	136 574 910	226 577 072	236 770 046	804 656 723	859 574 314

Sources: Project Division, Ministry of Finance, Republic of Liberia.

1. Foreign Embassies.

2. Interviews with several large firms on amount of net assets.

3. Forestry Development Authority, R.L., Statistical Data on Forest Concession with processing facilities.

a/ Several countries with large firms and investments were selected and equity or per cent distribution used in the calculation to give the above figures.

b/ Serve industries

Ice Industries, Manufacturing, etc.

REF: 2-7/11

Iron ore mining investments in Liberia

1. Name of the company	Liberia Mining Co. (LSC)	LAW-Joint Venture	German-Liberian Mining Co (GLMCO)	National Iron Ore Co. (NICO)
	<u>Original Agreement</u> 22 January 1946/ 12 March 1952	<u>Original Agreement</u> 2 September 1953 Joint venture -- 28 April 1960	<u>Original Agreement</u> 1 September 1959	<u>Original Agreement</u> 20 March 1958
2. Owners	1. Republican Steel of America - 60% 2. Others - 40%	1. Bethlehem Steel of America - 75% 2. Liberian-American Swedish minerals Company	1. Government of Liberia 50% 2. German Consortium - 50%	1. Government of Liberia 50% LSC - 15%
3. Management	American	Swedish	German	American
4. First shipment/ production	1951	Production - "May 1963	Production - 1965	December 1961
5. Total investment	\$30 million - 1951 \$40 million - 1970-71	\$275 till 1970-1971	Estimated - \$100 million	\$30 million
(a) Equity	N.A.	N.A.	\$15.5	\$3.5 million

ANNEX 2-XIX
Factor payments by Liberia
(\$ million)

Year ending December	Factor payment	Payment to-date	Year ending December	Factor payment	Payment to-date
1950	9.3	9.3	1966	51.3(19.0)	447.4
1951	11.1	20.4	1967	51.6(18.9)	499.0
1952	13.2	34.1	1968	49.7(21.0)	548.7
1953	14.2	48.3	1969	51.4(21.1)	600.1
1954	10.6	58.9	1970	65.6(23.0)	665.7
1955	17.1	76.0	1971	55.4(23.5)	721.1
1956	19.0	95.0	1972	63.6(25.0)	784.7
1957	16.3	111.3	1973	63.6 ^{a/}	848.3
1958	16.6	127.9	1974	120.0	968.3
1959	22.0	150.2	1975	122.2	1 091.2
1960	34.6	184.8	1976	86.0	1 177.2
1961	34.6 ^{a/}	220.0	1977	63.2	1 240.1
1962	34.6 ^{a/}	260.6	1978	95.0	1 335.0
1963	34.6 ^{a/}	295.2	1979	87.7	1 422.7
1964	40.1(15.3)	344.3	1980	33.7	1 513.4
1965	51.8(19.2)	396.1	1981	72.0	1 585.4

- Sources
1. 1950-1960: Louns, Dalton, Harwitz and Talsen: Growth without Development, Northwestern University Press, 1966.
 2. 1964-1974: IBRD various reports.
 3. 1974-1981: UNCTC Annual Reports - various issues.

^{a/} Assumed as no published figures are available.

() Brackets indicate interest portion of the Factor Payments (profits/dividends and interest).

Iron Ore Mining Investments in Liberia (cont'd)

(b) Others	Liberia Mining Co. (LMC)	LAWCO Joint Venture	German-Liberian Mining Co. (GOLMICO)	National Iron Ore Co. (NIOC)	
	N.A.	1. Bethlehem Steel of USA - Equity and Loan - \$60 million	German Banks	1. Export-Import Bank on USA - \$ 7 million	
		2. Swedish - LAWCO Syndicate - Equity + Loan = \$76 million		2. N.V. Muller & Co. of Netherlands - \$7 million	
		3. Long term Bonds (i) NY offering - \$50 million		3. First National City Bank of New York - \$25 million	
		(ii) Export-Import - \$57.5 million			
		(iii) Bank of US First National City Bank of New York - \$6.5 million			
		Total - \$124 million			
		<u>Notes</u>			
		1. Total debt \$168 million			
		2. Equity + Debentures \$107 million			
		<u>Arrangement:</u> EXXIDA			
		Bank - Stockholm			
		Operating	Operating	Operating	
6. Others	Closed 1977				
<u>Sources:</u>		1. Lanning with W. Muller, Africa undetermined - Penguin Books 1970.			
		2. Russell U. McClanahan, Foreign Investment and Development in Liberia - Praeger Special studies in international Economics and Development, 1966.			
		3. Liberian Trade and Industry Handbook, 1970-1971.			

CHAPTER 3

LIBERIAN BANK FOR DEVELOPMENT AND INVESTMENT (IBDI)

215. The Liberian Bank for industrial development and investment was set up as a statutory corporation under a legislation enacted in 1961; the act was amended once in 1962 and twice in 1965. The Bank formally opened for business on November 24, 1965. "Under a further amendment in 1974, the name of the Bank was changed to reflect the increasing national emphasis on the agricultural sector and the Bank's involvement in sectors other than industrial. Thus, it became the Liberian Bank for Development and Investment". 24/

216. Its main objective is to assist in the economic development of Liberia - to this end it is to encourage the development of private productive enterprises by providing medium and long-term loans (up to a maximum of 15 years) and equity financing, sponsor and underwrite new issues of securities and guarantee loans and commitment of other investors. Enterprises in the field of manufacturing (including handicrafts, agriculture (including livestock) mining, fishery, forestry (including wood processing) tourism (including hotel industry) and services are eligible for financing.

217. The original authorized capital stock of the Bank was one million US dollars divided into 100 000 voting common shares having a per value of \$10 each. In 1976, the authorized share capital was raised to \$5 million; in 1983 it was raised to \$10 million.

218. The voting common stock is divided into two classes:

Class A: which represents not less than a majority of the voting common stock of the Bank; and

Class B: which represents the balance of the voting common stock. It is provided in the ACT that "Class A shares shall at all times be owned by Liberian Citizens or Corporations, the Liberian Government, international institutions of which Liberia is a member or such other persons or countries, who, under appropriate Liberian regulation, are qualified to own such shares, and Class A Shares may not be transferred to members of other classes of persons or entities; Class B shares may be owned by any person or entity, whether a Liberian citizen or corporation or not." 25/

219. Annexure 3.I - gives the shareholdings at the beginning (1965) and at the end of December 1982.

220. The Bank of Liberia, which had 51% Liberian shareholding, went into liquidation in 1982 and has been taken over by the NBL for liquidation; the class 'A' shareholding of this Bank would perhaps be held either by the NBL or by the Government of Liberia - it appears it has not yet been decided.

24/ P. 2 - "General Information" O LBDI 1979

25/ P. 14 - Ibid

221. To start with, LBDI had 3 transnational banks as class 'B' shareholders. Gradually, other development banks of Europe and the insurance company of Africa have been admitted as shareholders - in fact, the process seems to be continuing, with the addition "Caisse Centrale" of France as the latest addition.

222. It appears that in 1983 the African Development Bank was also approached to become a shareholder to which it has agreed - the exact development is not clear.

223. It is clear from the Annexure that the Government of Liberia holds only a minority shareholding - International Finance Corporations and the banks holding 66.40% and the rest of the transnationals holding 14.34%. This is also reflected in the Board of Directors where, out of 14 directors, the Government of Liberia has two directors and another jointly with the IFC and the rest represented by other interests. The operations have, therefore, always been guided by the IFC and the transnationals.

224. Coming to the operation of the LBDI over a period of 17 years, Annexure 3-II gives an idea of the approvals, commitments and disbursements. "Cumulative commitments since the Bank inception in 1965 to end 1982 amounted to L\$ 44.05 million" ^{26/} and the gross disbursements to approximately L\$ 37.24 million (including equity investment of L\$ 765 000), in a period of 15 years.

225. Annexure 3-III - shows the balance-sheet of the LBDI as at the end of December 1982. It can be seen that the net equity investment in the projects financed by the Bank was L\$ 711 002 only and the loans outstanding L\$ 20 246 633 only out of which nearly L\$ 2 048 440 were considered doubtful of recovery. The total loans outstanding were distributed as follows:

1. Manufacturing	- 24.3%	4. Forestry and wood preserving	-10.6%
2. Agriculture	- 23.3%	5. Fishing	-10.2%
3. Other Services	- 22.9%	6. Hotels and Tourism	- 8.7%

Source: P.4 - Annual Report 1982 - LBDI.

226. Even in this distribution, as noted by the World Bank "LBDI's small share of agricultural lending has exclusively gone to large farmers, since its statutes as a profit-making organization, paying dividends to shareholders, prevents it from entering into the risky and administratively expensive field of mass shareholder credit". ^{27/}

227. The above involvement was in 215 projects out of which 148 projects, with advances amounting to L\$ 13 803 453 (68.6%) were located in Montserrado Country where Monrovia, the capital of Liberia is located. Another country, Grama Gedeh amounted to L\$ 3 676 025 (18.1%) on 8 projects; the rest of the amounts were distributed in seven other counties.

^{26/} P. 4 - Annual Report, 1982 - LBDI

^{27/} IBRD, 1978

228. These projects included not only new ventures but projects for modernization and expansion. If the position as at the end of 1971 is any indicator, majority were for modernization and expansion - not for new ventures.

229. How many of these projects were owned purely by Liberians, how many by foreigners and how many by joint ventures is not readily available. It was, however, clarified by the Chief Executive, during discussion, that the bulk of them had Liberian ownership.

230. Another objective of the LBDI was to "encourage the development of a capital market" 28/ and to achieve this objective "it will revolve its own portfolio whenever it can do so on satisfactory terms". 29/ But it appears that LBDI has not been able to progress in the matter as is apparent from the equity investments. There is no capital market in Liberia and LBDI has not been able to make any progress in the market of development of a capital market.

231. It is also interesting to find from the balance-sheet at Annexure 3-III that the Bank had given a loan of L\$ 5 million to the Government of Liberia and had kept L\$ 2.1 million in Time Deposits with commercial banks as at the end of December 31, 1982.

Sources of Funds:

232. To meet with the above operations, apart from the equity capital shown above, the Bank has relied mostly on regional international financial institutions as can be seen below:

TABLE 6

Long-Term Debt Outstanding as at end Dec. 1982 (L \$)

<u>Name of Institution</u>	<u>Amount Outstanding</u>
1. Government of Liberia	3 000 000 (interest free)
2. Margin Deposit	500 000
3. Kreditanstalt Fur Wiederaufbau (KfW)	1 326 382
4. International Bank for Reconstruction and Development (IBRD) (3 loans)	4 134 610
5. African Development Bank (ADB) - (4 loans)	3 648 580
6. Deutsche Gemossenschaftsbank (DEG) - 1 loan	5 000 000
7. European Investment Bank (EIB) - 1 loan	2 882 090
8. African Life Insurance Company - 2 deposits of \$ 250 000 each	500 000
Total	<u>L\$22 318 044</u>

28/ "General Information" - LBDI - 1979

29/ P. 7 Ibid.

233. It would appear that (i) none of the transnational banks operating in Liberia have contributed any long-term loan, though they are shareholders and (ii) the international/regional development banks like DEG, E.I.B., etc. who are lending, are also becoming shareholders (and directors).

234. On questioning the interests of the Transnational Banks operating in Liberia and who are shareholders in the LBDI, it was mentioned by an executive of the Bank that through the LBDI they mainly served the interests of their clients, specially the foreign, and also looked after their own interests as bankers to the enterprises who got assistance for the LBDI. Not only business, but profitability of investments by LBDI was always insisted with the result that marginal projects or those which were required to be financed for development of the country, either got neglected or voted out. No soft finance had either been obtained by the LBDI or lent for ventures which were in the best interests of the country.

235. It was also mentioned that even for meeting short-term requirements, the Bank often found it difficult to involve the Transnational Banks.

236. On the whole, it appeared that the Transnational Banks were interested to remain as shareholders only to get a return on their investment and to look after their own interests.

237. The involvement of the transnational corporations of the various countries in the projects financed by the LBDI are not readily available. But it appears that the Development Banks of the various countries - like the KFW, DEG, CDC, CAISSE Centrale and EIB - often supported projects with collaboration investment from their countries. Financing the projects through the LBDI and also getting involved in the affairs of LBDI, by gradually becoming shareholders, mainly to serve the interests of their own country and of the transnational corporations of their country appears to be one of means by which their influence was being built up.

238. "In terms of the LBDI Act, shares owned by Government do not earn any dividend until a 6% ~~cash~~ dividend has been paid to other shareholder's LBDI's income, as also interest and dividend payments, is tax exempt under the same law". ^{30/} Also "the Act establishing the Bank provides that a minimum of 25% of the net income for the year should be transferred to the legal non-distributable reserve". ^{31/}

239. Over the years the LBDI appears to have made profits for most of the period excepting for 3-4 years. The non-distributable legal reserves stood at L\$ 1 020 724 at the end of December 1982. In addition, small dividends had been issued, for e.g. 5% for 1974 and 6½% for 1975. The operations of the Bank were, therefore, based on profits rather than on development.

Conclusions

240. Even after 17 years of operation the total amount of assistance granted by the Bank was less than L\$ 40 million. Even that was spread over a large number of projects. The performance can by no means be considered creditable.

^{30/} P. 8 - Ibid

^{31/} P. 17 - Annual Report, 1982 - LBDI

241. Part of the above performance can perhaps be attributed to the role of the Transnational Banks, operating in Liberia, and others associated with financing the LBDI who were more interested in profitable investments yielding returns to the shareholders than on those necessary for the development of the country.

242. By providing long-term funds and by presence as shareholder's, transnationals of various countries perhaps influenced even the small projects that were financed by the LBDI. This appears to be the position even now.

SHAREHOLDINGS IN THE LBDI

Value: 1 Share = L\$ 10 each

			End of December 1982			
			Existing		Proposed	
1965						
	No. of Shares	%	No. of Shares	%	No. of Shares	%
CLASS "A"						
1. Liberian Development Corporation (Gov't. of Liberia)	24 895	24.9	74 449	17.95	87 868	17.69
2. International Finance Corporation (IFC)	24 895	24.9	74 447	17.95	87 868	17.69
3. Private Liberians	1 210	1.2	5 447	1.31	5 502	1.10
4. Bank of Liberia	-	-	25 392	6.12	25 392	5.11
5. Liberia American Joint Co. (LAMCO)	-	-	29 024	7.00	29 024	5.84
6. Bong Mining Co.	-	-	-	-	22 336	4.50
TOTAL - CLASS "A"	51 000	51.0	208 759	50.33	257 988	51.93
CLASS "B"						
1. Firestone Plantation Co.	5 000	5.0	8 096	1.95	8 096	1.63
2. Liberia Mining Co.	5 000	5.0	-	-	-	-
3. LAMCO	2 500	2.5	-	-	-	-
4. CITIBANK	12 000	12.0	26 276	6.34	26 276	5.29
5. International Trust Co.	12 500	12.5	20 242	4.88	20 242	4.07
6. Institute Mobiliare Italiano	12 000	12.0	19 432	4.69	19 432	3.91
7. German Development Bank (DEG)			27 920	6.73	32 951	6.63
8. Insurance Co. of Africa			13 959	3.37	13 959	2.81
9. European Investment Bank (EIB)			17 609	4.25	31 295	6.30
10. Commonwealth Development Corporation (CDC)			36 361	8.77	42 917	8.64
11. I.E.C.			13 680	3.30	13 680	2.75
12. Bong Mining Company			22 336	5.39	-	-
13. Caisse Centrale			-	-	30 000	6.04
TOTAL - CLASS "B"	49 000	49.0	205 911	49.67	238 848	48.07
GRAND TOTAL	100 000	100.0	414 670	100.00	496 836	100.00

Source: P. 7 - Annual Report 1982 - LBDI

Summary of Operations LBDI 1967-82
As of December 31

		Loans		Equity		Total	
		No.	Amount (\$'000)	No.	Amount (\$'000)	No.	Amount (\$'000)
1967-75							
	Approvals (A)	198	9 989	14	688	212	10 677
	Commitments (C)	175	9 122	12	586	187	9 707
	Disbursements (D)	192	8 994	12	530	205	9 524
1976	A	52	3 643	1	150	53	3 793
	C	49	3 970	1	150	50	4 120
	D	48	3 801	1	150	49	3 951
1977	A	26	4 958	1	28	27	4 986
	C	24	4 029	1	28	25	4 057
	D	27	2 211	1	28	28	2 239
1978	A	34	7 700	-	-	34	9 700
	C	33	2 628	-	-	33	2 628
	D	26	4 446	-	-	26	4 446
1979	A	46	5 890	-	-	46	5 890
	C	36	7 040	-	-	36	7 040
	D	26	5 040	-	-	26	5 040
1980	A	46	4 167	-	-	46	4 167
	C	45	5 000	-	-	46	5 000
	D	42	4 590	-	-	42	4 590
1981	A		5 250	Non Available		N.A.	5 250
	C		4 690	NA		N.A.	4 690
	D		3 300	NA		N.A.	3 300
1982	A	48	4 300		57	48	4 357
	C	42	3 870		57	42	3 921
	D	NA	4 090		57	NA	4 147

Source: 1967-1980 - IBRD - Various Reports.
 1981-1982 - Annual Report - LBDI - 1982.

BALANCE SHEET OF THE LBDI AS AT THE END
of December 1982

<u>ASSETS</u>		<u>Liabilities & shareholders' Equity</u>	
	L\$		L\$
1. Current Assets		1. Current Liabilities	
1. Time Deposits	2 100 000	1. Cash and Bank Balances - current A/C (Net)	113 507
2. Current Maturities of Portfolio Loans	8 949 159	2. Short-term Borrowings	2 272 215
Less: Provision for possible losses	(2 048 440)	3. Accrued Expenses	343 219
	<u>6 940 719</u>	4. A/cs Payable and other credit balances	1 086 833
3. Govt. of Liberia Notes discounted	23 912	5. Current Maturities of Long-Term Debts	<u>2 232 436</u>
4. Accrued Income	1 755 081	Total Current Liabilities	<u>6 048 210</u>
5. Miscellaneous debit balances	504 964		
Total Current Assets	<u>11 324 576</u>		
2. Portfolio Investments		2. Long-term debt	22 318 044
1. Loans	20 246 633	Less: Current Maturities	<u>2 232 436</u>
Less: current Maturities (Gross)	8 989 159	Total Long-Term Debt	<u>20 085 608</u>
	<u>11 257 474</u>		
2. Advances	60 000		
3. Equity Investments (Net)	711 902		
Total Portfolio Investments	<u>12 029 376</u>		
3. Others		3. Shareholders' Equity	4 868 472
1. Assets held for resale	143 927	Total Liabilities & Shareholders' equity	<u>31 002 290</u>
2. Deferred Project Promotion Expenditure	10 628		
3. Govt. of Liberia Loan	5 000 000		
4. Deferred Staff Develop ment Expenditure	142 608		
5. Housing Loans to Staff and Officers	755 214		
6. Property and equipment (Net)	<u>1 595 861</u>		
Total Other assets	<u>7 548 236</u>		
Total Assets	<u>31 002 290</u>		

Source: P. 11 - Annual Report 1982 - LBDI

CHAPTER 4
INSURANCE COMPANIES

1. General

243. Till March 1973 there was no legislation on insurance or on the operation of insurance companies in Liberia. An act adopting an insurance law was approved by the Legislature on March 7, 1973; it was laid down in the law that the "act shall take effect immediately upon publication" ^{32/} The Act was, however, published only on October 8, 1973 and a commissioner of Insurance was appointed, under the Ministry of Commerce, Trade and Industry, as provided in the Said Act to administer the Legislation. Under the Act it became necessary for an insurer operating in Liberia to obtain a certificate of authority from the commissioner for operations. Domestic Insurers were defined as those "formed under the laws of Liberia"; ^{33/} alien insurers were defined as those "formed under the laws of any country other than Liberia, or of any State or other political subdivision therein" ^{34/} . Not only the insurers but agents and brokers were also required to obtain licenses from the commissioner.

244. Till 1979, therefore, when the commissioner began to issue licences, anybody was free to underwrite insurance in Liberia. It appears that a number of Trans-national Insurance Companies had agents in Liberia, through whom insurance used to be underwritten. The agents solicited business and forwarded the business to their parents in Europe or America for underwriting and preparation of policies. Policies were then sent to the insurers through the agents. Similarly, whenever there was a loss, documents and information were collected and sent abroad for servicing the claims. Some others had established some branches who used to underwrite in Liberia itself, but sent away most of the premium to their parent companies for reinsurance. There is no statistics either on the number of insurance companies or brokers or on the business that was transacted in Liberia till 1979.

245. Under the law, not only, are the insurers, agents and brokers required to obtain licences but (i) insurers are required to pay 3 per cent tax to the Government on gross premium collected by them in Liberia, (ii) brokers and agents are required to pay normal corporate tax on their commission; and (iii) the insurers are also required to "retain in Liberia at least 10 per cent of its gross annual premiums derived from policies pertaining to risks or undertakings in Liberia". ^{35/} Certain requirements on capital, reserves etc. have also been laid down.

246. To give effect to these provisions the commissioner has laid down certain returns to be submitted by the insurers, brokers and agents. On the basis of the licences issued by him and on the basis of the returns received by him, the commissioner has an idea on the insurers and agents/brokers operating in Liberia and the amount of insurance underwritten in Liberia. The information has not been officially published anywhere so far -- the acting commissioner, gave the following information:-

^{32/} Section 4 - "Insurance Law" adopted by the Legislature on March 7, 1973.

^{33/} Section 1.2(f) Ibid

^{34/} Section 1.2(a) Ibid

^{35/} Section 5.3 Ibid

(a) 7 insurance companies, shown in Annexure 4.I., are registered and operating in Liberia. Two other foreign companies (i) Royal Exchange Assurance of the Guardian Royal Exchange Assurance group, London, and (ii) Miret James, Liberia, Incorporated of Minet Holdings Ltd., of U.K. closed down their operations in 1979-80 after the Liberian law began to be enforced. Two local private insurance companies - (i) Job security Insurance Scheme Corporation and (ii) Universal Insurance Corporation have been licenced - they have, however, not yet started business.

(b) In addition, there are 4 licensed insurance brokers - 3 acting as chief agents of foreign insurance companies, one as a general agent - operating in Liberia.

(c) On February 9, 1984 the Government of Liberia issued a proclamation for the establishment of a "National Insurance Corporation of Liberia" with an authorized capital of \$4 million. The corporation is yet to start functioning.

(d) The entire insurance business is, therefore, foreign owned and operated by corporations belonging to Transnationals excepting the Insurance company of Africa which is owned partly by the Insurance company of N. America, partly by the International Trust Co. of Liberia and partly by a few Liberian Shareholders.

(e) On the basis of the returns submitted by the licensed companies and on the basis of the Tax paid by them, the insurance underwriter in Liberia during the 4 years from 1979 was as follows:-

Table 7
Insurance underwritten in Liberia between 1979 and 1982
(in million US \$)

	<u>Life</u>	<u>Non-Life</u>	<u>Total</u>
1979	0.5	12.6	13.1
1980	1.2	12.1	13.3
1981	4.2	9.3	13.5
1982	3.5	10.9	14.4

It was mentioned by the Acting Commissioner that they were not sure about the authenticity of the returns and, therefore, for the year 1983, they have asked the companies to submit figures certified by auditors approved by the Commissioner.

(f) Under the law, at least 10% of the gross premium derived from policies on risks underwritten are to be retained in Liberia as stated above. The Acting Commissioner stated that they have not been able to enforce or verify this legal requirement so far.

(g) It appears that in Liberia there is no compulsory insurance of any type, including motor. Neither is there any requirement for any type of insurance to be underwritten in Liberia -- the individuals or business houses can get the insurance cover underwritten either in Liberia or abroad. The exact amount of insurance premium that is generated in Liberia either within Liberia or abroad is therefore, not known; similarly there is no information on claims, costs, profits, outflows or investments. Being an open economy anybody can take any insurance anywhere; insurance companies, in turn, are also in a position to underwrite anywhere and settle claims anywhere.

(h) It seems the Government is just thinking of introducing compulsory Third party insurance on motor vehicles. With the starting of the functioning of the National Insurance Company, some sort of social security, at least for Government servants and urban industrial employees, may be considered for introduction.

Host country legislation and re-action of transnationals

247. The insurance law makes a distinction between 'Domestic' and 'alien' insurance companies in the matter of (i) capital requirements and (ii) Margin of solvency.

248. In the case of Domestic Insurance companies there is a "minimum paid-in capital commitment of not less than \$300 000 plus a paid-in surplus of not less than \$150,000 when first authorized to transact insurance under this title, except that a company formed to transact life insurance only may have a minimum commitment of \$200 000 paid-in-capital and \$100 000 paid-in surplus." 36/ On the other hand, alien insurance companies, who apply for a licence must have "a minimum paid-up capital commitment or requirement of not less than \$2 million plus a requirement for a surplus of not less than \$1 million". 37/ This is obviously not necessarily in Liberia. Most of the Transnationals could not, therefore, have any difficulty in getting a licence.

249. "Every domestic insurer shall at all times maintain a margin of solvency of not less than \$150 000 excess of assets over liabilities.... or one-fourth of the gross premium income received by it during the preceding fiscal year, whichever is greater" 38/ There are no domestic insurance companies that are operating; it appears that in the case of alien companies the commissioner has not been able to verify whether they are complying with the requirements or not, mainly due to lack of staff and expertise. In what way the Transnationals have reached to the legislation is, therefore, not clear.

Insurance companies and balance of payments

250. Operations of insurance companies can affect the balance of payments either on trade related items or on non-trade related item like fire, marine etc. Similarly, it could be direct underwriting abroad or re-insurance of policies underwritten in Liberia -- in both cases there could be outflow which could be offset partially or totally through inward remittances on account of settlement of claims.

36/ Section 3.3(b) (iii) Ibid

37/ Section 3.12(a) (ii) Ibid

38/ Section 5.2(i) Ibid

251. As stated above, whereas the insurance underwritten in Liberia is reported by registered insurers, how much was retained within Liberia and how much premium was remitted on reinsurance and similarly how much were the claims and how they were settled are not reported and the commissioner has no information. No information on 'inflows' or 'outflows' on account of insurance is, therefore, available.

252. Annexure XVII gives outflows on account of non-factor services in case of Exports and Imports --- these non-factor services are generally (a) shipping and (b) insurance charges. The break-up of the figures between the two are not, however, available - it is, therefore, not possible to state how much outflow was on account of insurance.

253. In the standard IMF compilation of balance of payments, other 'private goods and services' include remittances on account of non-trade insurance - but as stated earlier, the present compilation of balance of payments, as shown in Annexure XVII, does not contain this classification. The flows on account of non-trade insurance are also, therefore, not available.

Conclusions:

254. The transnational insurance companies dominate the scene in the field of insurance in Liberia. How profitable the business has been and how much of outflow of resources takes place from Liberia to the parent companies of the insurance companies is not known.

255. There has obviously been hardly any inflow of resources into Liberia either in the shape of capital or reserves as almost all the registered companies are "alien insurance companies" and they are not required to bring in any capital.

256. It is obvious even from the premium stated above that life insurance is yet in its infancy in the country and the insurance companies/agents operating in Liberia so far have hardly paid any attention to this source of saving in Liberia.

257. Bulk of the business is in non-life-even there, it appears to be in motor as apparent from these figures available for 1979.

Table 3
Non-life insurance premiums in Liberia in 1979
(Figures in US\$)

	Motor	Fire	Workmen's Compensation	Marine	Others	Total
1979	5 254 944	1 552 800	674 416	176 112	4 265 077*	12 623 34

* Break-up of \$3 267 040 of one insurance Company not being available is included in the Total.

258. Marine insurance, which is one of the most important appears to be covered abroad by the importers there being no obligation for the importers to insure all imports totally.

259. There is no capital market (or stock market) - there is also, therefore, no information on any investment in Liberia by any of the insurance companies.

260. The Transnational insurance companies who have been operating in Liberia so far have, therefore, treated insurance as a source of income. They have not developed indigenous expertise in insurance. Most of the surpluses generated have perhaps flown out of the country to the parents of the branches. This position continues even now. It is yet to be seen how the commissioner and the new insurance corporation will try to indigenise insurance and also control the alien insurance so that a greater portion of the income from insurance would be used in Liberia for economic development.

List of Insurance Companies and brokers licenced and operating
In Liberia at the end of December 1983

Sr. No.	Name of the Insurance Company/broker	Year from which Operating in Liberia	Type of business handled	Transnational insurance company/ corporation to which it belongs/ associated
1.	Insurance company of North America through INTRUS Co. Agency	1949	Non-Life	CIGMA Corporation of Philadelphia- P.A.U.S.A.
2.	American Life Insurance	1961	Life	American Inter- national Group of Companies, New York N.Y. USA
3.	American Home Assurance Co.	1963	Non-Life	American Inter- national Group of companies, New York, N.Y., USA
4.	Insurance Company of Africa (Chartered by National Legislature of Liberia, April 1969)	1970	Life and non-life	International Trust Co. of Liberia and Insurance Co. North America
5.	St. Paul Fire and Marine Insurance Co. (Liberia) Inc.	1971	Non-life	St. Paul Fire & Marine Insurance Co., St. Paul Minnesota, USA
6.	United Security Insurance Company (Liberia) Inc.	1972	None-Life	United Security international, Trinidad, West Indies
7.	INA International Insurance Co.	1979	Non-life	INA International Corporation, Delaware, USA

Name of the Insurance Company/broker	Year from which Operating in Liberia	Type of business handled	Transnational insurance Company/corporation to which it belongs/ associated
--------------------------------------	--------------------------------------	--------------------------	---

Brokers Acting as chief agents

- | | | | |
|-------------------------------|------|--|---|
| 1. INTRUS CO. CORPORATION | 1960 | | Chief Agents for Insurance Co. of Africa and insurance Co. of North America. |
| 2. National Insurance Brokers | 1980 | | Chief Agents for Hogg Robinson Group of U.K. and other Lloyd underwriters Chief Agents for New India Assurance Co. of India and Clafkson Puckle Group of U.K. |

Brokers acting as agents

- | | | | |
|--------------------------------------|------|--|--|
| 1. Liberian Insurance services, Inc. | 1983 | | Agents for a No. of foreign insurance companies. |
|--------------------------------------|------|--|--|

Source: Acting Commissioner of Insurance, Ministry of Commerce, Trade and Industry, Government of Liberia, Monrovia - March 1984.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

261. Though Liberia comes under the 'middle-income' group of Developing countries, it appears to be still underdeveloped in the financial structure. Though the country has a Central Bank from 1974, it has not been able to make itself felt sufficiently or act as an effective leader in the financial field. Though it has helped promotion of national financial institutions, the Transnational Banks Continue to dominate the financial scene - the national institutions, whether they are commercial banks or non-banking institutions, have not been able to make much headway on accounts of various constraints. Even the Development Bank, after 18 years of functioning, still appears to be a minor institution and raising practically no local resources. In the field of Insurance, national institutions are yet to make a start - effective control on transnationals is yet to be evolved. On the whole, the transnational banks and financial institutions, whether directly working in Liberia or not, appear to be having dominant role in the financial affairs of the country.

262. It is felt that the country will have to take certain positive steps if the financial institutions are to play an effective role in the economic development of the country. Following are a few of the recommendations for consideration at the policy level.

(a) It is apparent from the post 1980 experience that lack of control by the Central Bank (and the government) on the currency requirements of the country is playing a major part in preventing orderly development. Currency has been felt inadequate even to meet the "transaction-demand" in the economy; this has affected saving and investment in the economy as well. The National Bank of Liberia and the Government appears to be at the mercy of the Transnationals and the IMF even to meet the day to day requirements of the currency.

263. The Government and the Central Bank seem to be hesitant to change the currency, as they are afraid that the confidence in the economy may be further shaken, specially of the foreign investors on whom investment in the economy is highly dependent. How far the 'stabilisation' moves, working under the guidance of the IMF will help to improve the position, it is difficult to say.

264. In the above circumstances it would appear that the country should gradually switch over to its own currency. Unless this basic requirement is met, the country would perhaps always be at the mercy of the U.S. dollar and of those institutions that control it. It is felt that an organization like the ECA, should be able to study the requirement in depth and help the Central Bank and the Government of Liberia to switch over to a system that will help economic development. Unless this is achieved, the National Bank cannot either be a 'bankers' bank' or a lender of last resort in short an effective Central Bank.

(b) Even though the N.B.L. is acting as the banker to the Government of Liberia, it does not appear to have been made fully responsible for the 'public debt' of the country. As noted, Government appeared to be compiling the external debt of the country, for which action IMF was rendering assistance, even in negotiations with international bankers etc. N.B.L. was being kept out of the picture. If N.B.L.

is to act as banker to the Government effectively, it should not only be made responsible for all aspects of external debt management but should in variably be associated in all negotiations and transactions.

(c) The control over the banking industry in general and over the Transnationals, who dominate the market, in particular is very loose - guidelines are issued and they are expected to be followed; the only mechanism existing to enforce are the returns that have been prescribed. The Transnationals are not required even to prepare annual accounts and submit audited statements. Apart from enforcing audited statements, it would appear necessary to institute an 'inspection' mechanism with the NBL to ensure that the institutions, responsible to the NBL, comply with the requirements of the NBL.

(d) The financial institutions have not penetrated the interior areas either for mobilization of savings or for providing credit. High profit margin requirements which are not possible due to high cost of operations are quoted as reasons.

265. While licensing Transnationals for operations within a country, a number of developing countries have used the mechanism of tax and other incentives, apart from regulation, for banks to go into the rural areas. It would appear desirable for the NBL to investigate and find ways and means for encouraging banks and other financial institutions to move to the interior and bring the rural areas also into the main stream of development.

(e) Whatever credit is extended by the banks is found to be for short-term and for the trading and commercial sectors. Hardly anything goes for investment either. Here again, the transnationals should also be encouraged to channel credit for productive purposes and also distribute credit amongst various maturities including investments. If new instruments require to be created, NBL should take steps to get them created so that the financial institutions will have alternative marketable profitable instruments. As noted by the IBRD "nothing significant will happen unless the Government plays an active rather than passive role in the sector. Key elements in this will be ... the National Bank, the use of deposit requirements to direct loans to the appropriate sectors and the establishment of banking institutions in the rural sector" (IBRD Report - May 5, 1975).

266. Since it is traditionally a free and open economy, all the incentives that are necessary to channelise credit to the desired fields should be explored before regulating credit as is adopted in some countries.

(f) Government should study in depth the financing of industries and regulate equity - debt ratios that should be allowed specially those with foreign financing. Inflows and outflows should be scientifically studied and regulated properly and in the best interests of the economy. The world Bank is trying to assist the government in regulating concessions so that the agreements are just - on the same lines the foreign investments should also be regulated so that they would be just.

(g) The development Bank has not developed instruments or mechanisms to attract local savings and augment its resources - it appears to be relying mostly on external assistance. To become a truly developmental institution, it should mobilise resources locally also in an increasing manner. This aspect requires to be studied in depth and suitable action initiated.

(h) Action to control the operations of insurance companies has just started. Not only should the existing operations be properly regulated and controlled but steps taken, gradually if need be, for eventual underwriting of all risks, relating to the country, within the country - if need be, risks may be reinsured in a regulated manner so that outflow of resources can be regulated and in the best interests of the country. Efforts should also be made to strengthen the capital and reserves of the insurance companies so that the risk-bearing capacity would increase and the need to go in for re-insurance would come down.

267. Local coverage of import insurance, as recommended by the UNCTAD and accepted by the Government of Liberia, should be enforced.

268. Life insurance as an instrument of saving should be encouraged; it should also be ensured that all the funds pertaining to the life of Liberians remain within Liberia.

269. Suitable investment policies for Life fund, reserves and surpluses should be evolved so that funds would be available for investments within the country.

(i) Statistics on operations of Transnationals should also be collected separately and reviewed periodically to ensure that not only the transnational financial institutions act in the true spirit of the rules and regulations of the country but are also useful instruments for the development of the economy.

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